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COMMONWEALTH TOUR DE FORCE

The British Prime Minister's tour has been something of a tour de force. He has won friends and influenced people—for the good—all along the route and even on the way back. Indeed his second thoughts in Singapore, uttered amid the doubts and dismays of the former "subject peoples," were more salutary than anything said or done on the outward trip to New Zealand and Australia. While the amphitheatres were crowded with expectant devotees, nearly all expecting Mr. Macmillan to take first service, he simply threw the balls over the net to Mr. Lim Yew Hock and in ringing tones proclaimed "Your service." And in this he was absolutely right. And so was the Chief Minister, who seemed to have been his closest confidant, counsellor and guide on his brief return visit to Singapore.

Britons, and the Singapore Chinese alike, will now be content to await the result of the decisive elections next August. The Chinese, having been told bluntly that the British Government had no intention of suspending the constitution for self-government for Singapore will know that they cannot dodge the post but must work hard and cast their votes to ensure that the men they want are returned to office, and the extremists kept out. So long as they could shelter behind the British the Chinese "bourgeoisie" and millionaires refused to be bothered. Now they are put on their mettle. They will get precisely the Government they deserve, and it is up to them to act accordingly. Mr. Macmillan's flat-footed, unambiguous declaration was all the more significant in that it came immediately after the appeal for signatures of a petition urging the suspension of the Constitution owing to the leftist trends among the local politicians. "The best way to beat Communism is free government," he said, though the most decisive way to beat it is to let those who want it have it for a few years—they will never want it again! "I regret Communism everywhere. But the proper people to deal with Communism in Singapore are the people of Singapore. They have been given a vote and the right to govern themselves. Let them exercise it . . . We cannot afford to go back on our word. We have made an agreement with the people of Singapore and we will carry it out."

But, he added, there must be confidence and good faith on both sides. This hardly seemed true of the P.A.P. whose selection for the post of Mayor ordered the removal of the historic Union Jacks, as well as the Mayoral Mace, as his first act. But they wore ties and looked respectable when Mr. Macmillan officially visited the City Hall, so they are not beyond redemption. The visit to Chinatown, and especially to Sago Street, was an almost incredible feat for a Tory Prime Minister. It fortified his Parthian shot that "we believe the people of Singapore will keep faith with us." It is difficult to see how they could do anything else after the example he has set—and especially as it is practically certain that is how the whole of the people with a real stake in Singapore want it to be.

Of course, there was more in all this than the plain statement that Singapore had great responsibilities for their own future handed over to them and must measure up to them. There was also the inference that if Singapore did break faith and "go Communist" they must not expect the British Government, but some other authority, to put things right. Britain has no intention anywhere of trying

to put the clock back or of reversing her path. Even India and Pakistan know that now, however suspicious they may have been up till a few years ago. If Singapore runs riot the people who will then be most concerned, and on whom immediate responsibility will lie for suitable action, will be the Malays. With such action would go reminders that 99% of the Chinese there are Colonialists and with the consequences that are now visited upon that category all over the world. As Mr. Macmillan said in his message to the Malayan Prime Minister: "It is good to know that the growing influence of your country will be used to maintain the ideals which we in the Commonwealth share."

The success of the British Prime Minister's tour of India and Pakistan, en route to other major members of the Commonwealth, may well have important political consequences. About its success there are no two opinions. It touched an emotional chord whose vibrations and reverberations will be felt throughout the sub-continent. Mr. Macmillan himself appears to have been almost overwhelmed by his reception, organised in the first instance though it no doubt was, as he looked down upon the concourse from the famous Red Fort in Delhi. It was, to all who know Delhi and the peculiar significance of this fortress of Indian history, a matter of no small moment that a British Premier could have been the subject of so warm a civic welcome. And judging by accounts from correspondents on the spot Mr. Macmillan never put a foot wrong in either Delhi or Karachi. The British community were themselves delighted by his diplomacy, and his own impeccable approach no doubt was a major factor in impelling Mr. Nehru to pay them the unusual compliment of a surprise visit to the British community's reception to the visiting Prime Minister. His keen interest in all around him, his obvious desire to listen to and understand Indian views rather than set forth his own, his avoidance of controversy, and his unobtrusive insistence on common ties and interests all contributed to his success.

The tour has given fresh vigour to the Commonwealth concept and its place in a world dominated by two giants whose implacable divisions simply compel, almost as a law of nature and of logic, some effort at a synthesis not dissimilar to that which must in the end determine the confrontation of Communism and its tyranny and of Capitalism and its inequalities of wealth. But it is not to be attempted on an empty-handed basis. Mr. Macmillan made it quite clear at Karachi that the free world alliances would still be indispensable and make a great contribution to peace even if East-West tension should decrease.

In Australia, Mr. Macmillan turned almost blithely from the urgent affairs of what might be called "little England" to the "wider vision of the Commonwealth" and confirmed for Australians the superior importance of his trip. His nonchalance, which hitherto had made his personality as uninteresting to Australians as apparently it did to the people of Britain, was the perfect quality for the occasion. Canberra has not forgotten that it was not consulted about the formation of the Suez Canal Users' Association or about the decision to issue the ultimatum to Egypt and Israel. There is every confidence in Australia about the skill of British negotiators and their determination to bear Australian interests in mind, but the Australian Cabinet was eager to be told how far Britain is prepared to go in the negotiations over a free trade area in Europe. It was noted that despite the frequent announcement that agricultural products would not even be discussed, there are signs that some of these products at least will have to be included in the arrangements.

It was a good thing that the British Prime Minister should be able to take a look at Indonesia through Australian eyes at a time when the Indonesians were splashing about in their territorial waters. It was as opportune in many ways as was his brief appearance at Singapore in the midst of the Mayoral antics, which included the ostentatious removal of the two historic Union Jacks in the Chamber and of the Mayoral Mace what time his party laid plans to double their allowances as Councillors and to present him with the biggest salary of any Mayor in the world! In the latter they were not quite successful.

On the broader issues he never put a foot wrong. His response to the clamour for a Summit Conference was all that it should be. He was prepared to go anywhere, at any time—echoing President Eisenhower. But he was only one person and had only one thought. They all had to remember the position of Mr. Eisenhower, who was both Prime Minister and, in effect, Sovereign, who was unable to stay out of his country for a long period. He was quite prepared to have talks even without preparation, though this procedure did not seem to make sense. He preferred diplomacy to open letters. He favoured "an open agreement secretly arrived at."

When he left the Australian capital for a 2,500-mile tour of Eastern Australia he left behind him in Canberra solid achievements in cementing Commonwealth relations. His impact had not been spectacular, but his acceptance by Liberals and Labour alike had been significant. They had thought of him in Canberra as a donnish, if not aloof, Edwardian, and his friendly speeches and his "meet the people" activities had imparted to his relationships an unexpected warmth. This feeling no doubt helped him to face the 13 official receptions, five official dinners, four official luncheons and other social functions which were to follow. But the real question that concerned Australians was what Britain intended to do in regard to Europe. It was likewise the main object of Mr. Macmillan's mission to persuade the Australians to see the essential wisdom of Britain's desire to take part in this great enterprise.

FIRST SESSION OF THE ECAFE COMMITTEE ON TRADE

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The first meeting of the ECAFE Committee on Trade was held in Bangkok from 20th to 27th January. The session was attended by delegates from Afghanistan, Australia, Burma, Cambodia, Ceylon, China, France, India, Indonesia, Japan, Korea, Laos, Malaya, Netherlands, New Zealand, Pakistan, Philippines, Thailand, U.S.S.R., United Kingdom, U.S.A. and Vietnam, i.e. by 22 member countries, and two associate members, Hongkong and Singapore with British Borneo. Observers were sent by Austria, Belgium, Czechoslovakia, Hungary, Israel, Italy and West Germany; their presence indicated the European interest in the development of trade with Asia. The Food and Agriculture Organization as well as the International Bank for Reconstruction and Development were also represented. Among non-governmental organizations, the International Chamber of Commerce, the World Federation of Trade Unions and the World Federation of United Nations Associations sent their delegates.

The Prime Minister of Thailand, Gen. Tanom Kittikachorn, sent a message of welcome, and the Vice-Premier and Minister of Economic Affairs, Mr. Sukich Nimmanheminda, delivered the inaugural address. He said that the economic progress and well-being of the people could never be attained without the healthy growth and expansion of trade. To realize such trade expansion, international co-operation was essential, because trade cannot be profitable indefinitely to any country if it is a one-way affair. The ECAFE region offered a potential and growing market for the products of countries in other parts of the world and simultaneously provided an immense source of supply of primary products for those countries. Thus it was not an exaggeration to say that the stability and economic and social progress of this region will bring about favourable conditions beneficient to other parts of the globe. Unfortunately the economies of most countries of the region are much influenced by many outside factors. The fluctuations in the prices of primary products in the world market present a knotty problem, particularly for countries entirely dependent on a few export commodities. Diversification of the economy had been recommended as one of the effective means of rectifying the situation, but there was no easy and simple means to solve the problem. Nevertheless, he concluded, it was through international co-operation that past experiences would be shared, current problems discussed and happy solutions arrived at.

Mr. C. V. Narasimhan, Executive Secretary of the ECAFE, stated that the Commission had, from the very beginning, attached great importance to the promotion of international trade. The Commission convened two trade promotion conference in 1951 and 1953. In 1954, it established the Sub-Committee on Trade which held two sessions—in 1955 in Hongkong and in 1956 in Bangalore. In recognition of the importance of trade among its activities, the Commission at its session in 1957 decided to raise the status of the Sub-Committee on Trade to that of Committee on Trade. Mr. Narasimhan introduced the following agenda for the first session of this newly created Committee on Trade:

(i) The consideration of current developments in trade and trade policies.
(ii) Review of import and export licensing policies and procedures.
(iii) The European Common Market and the proposed Free Trade Area in Europe.
(iv) Intra-regional trade promotion talks.
(v) Export promotion techniques and practices.
(vi) Regional floating fair.
(vii) Training of trade promotion personnel.
(viii) Working Party on Customs Administration.
(ix) Trade in minerals and mineral products.

CURRENT DEVELOPMENTS IN TRADE AND TRADE POLICIES

The Committee noted that while the total value of imports into the region had shown a continuous and substantial increase, the export earnings of the countries of the region had tended to level off. This resulted in an increased trade deficit and in a decline in the foreign exchange reserves of several countries.

The prices of major primary commodities of the region had continued to fluctuate; the prices of rubber, tin and tea had declined in the first half of 1957 while those of sugar and abaca had risen appreciably, and those of raw cotton and jute were slightly better than in 1956. The Committee considered that fluctuations in these prices continued to constitute a major source of instability to the economies of the countries of the region. In this connection long-term agreements and contracts for the sale of primary products were suggested as a means of providing some degree of stability.

The Committee also noted that measures had been taken by advanced industrial countries to liberalize their trade and payments regulations, and a number of countries had adopted fiscal and monetary measures to keep in check inflationary trends. These measures were important to the countries of the ECAFE region, because they affected not only the demand for their exports, but also the prices of their imports and the value of their foreign assets.

The Committee noted that the region as a whole had been importing a steadily increasing volume of capital goods and raw materials for industry, reflecting the impact of the economic development programmes on the structure of import trade. There had also been a steady decline in the share of consumer goods in the total imports of the region. Several countries of the region had begun to produce significant proportions of their requirements of manufactured goods, and had also achieved a limited degree of success in diversifying their exports. However, the Committee recognized that diversification of exports was a long-run process.

External financial assistance in the form of credits and grants continued to play an important role in meeting the shortage of foreign exchange experienced by the countries of the region and in financing their economic development projects. The Committee noted that countries of the region, while recognizing the importance of this assistance, were at the same time stepping up their efforts to mobilize their own resources to a greater extent.

The Committee noted that some countries continued to negotiate new bilateral trade and payments agreements and extend existing ones. With the relaxation of payments restrictions in several countries of the world and the increased transferability of currencies, the area of trade covered by these agreements remained comparatively small. However, these arrangements have been found useful in some countries in developing new markets for some of the staple exports and for some new export products.

REVIEW OF IMPORT AND EXPORT LICENSING POLICIES AND PROCEDURES

The Committee reviewed the changes in the import and export licensing policies and procedures of the countries of the region, with special reference to the progress achieved in the simplification of those procedures. It noted that recent developments indicated a mixed picture. Several countries, faced with continuing balance of payments difficulties, had had to intensify their import restrictions. Some other countries had found it possible to relax import restrictions and to make larger foreign exchange allocations for imports.

The Committee considered that despite balance of payments difficulties countries of the region had made progress in the simplification of administrative formalities and procedures connected with import and export licensing. The Committee was happy to note that several countries of the region had their import control procedures under continuing review with a view to further simplifying and streamlining if possible.

The Committee noted that several governments in the region prepared half-yearly import or foreign exchange programmes in order to avert sudden and sharp changes in licensing policies and to ensure a steady and orderly flow of imports. It recognized, however, that there were some difficulties in preparing these programmes and in adequately implementing them, because import requirements of development plans were difficult to estimate and often emergency imports became necessary.

The attention of the Committee was drawn to the increased participation of the government in foreign trade in some countries of the region. The objectives of government trading were varied. Imports by governments had greatly increased due to their development projects. Other objectives of state trading were the diversification of trade, promotion of weak exports, and acquisition of better bargaining power in both buying and selling. In some countries governments participated in trading corporations in partnership with domestic enterprises mainly with a view to providing the necessary financial and technical assistance to nationals who were lacking in experience and credit facilities. The Committee also noted that some countries applied import controls with a view to increasing the participation of their nationals in the import trade. The Committee considered that it would be useful for the ECAFE Secretariat to study these aspects further.

THE EUROPEAN COMMON MARKET AND THE PROPOSED FREE TRADE AREA IN EUROPE

The Committee discussed comprehensively the European Common Market. The hope was expressed that it would strengthen and promote not only the economic co-operation and growth of the six European countries concerned, but also world trade in general. Several countries, however, expressed concern over the possible repercussions of the E.C.M. on their trade and economies, especially over the possible consequences of the following features of the E.C.M.:

(i) the common tariff;

(ii) the introduction of quantitative restrictions and quotas on imports from countries which are not members of the Common Market;

(iii) the association of overseas territories with the European Economic Community;

(iv) the establishment of a special fund for the economic and social development of the associated overseas territories; and

(v) the treatment of agriculture and agricultural products.

France and Netherlands, the two members of the European Economic Community, who were also members of the Committee, in referring to the various points raised by the countries of the region, pointed out that the European Economic Community was not conceived as a restrictive economic or trading system but was in harmony with, and part of a collective approach to a wider system of multilateral trade and payments to which the six countries had committed themselves. The establishment of the Common Market would in time bring about a substantial increase in the productivity and income levels of its member countries and would contribute to an expansion of international trade. The fund to be set up under the Treaty for the economic and social development of overseas territories would only be composed of limited governmental contributions. Additional resources both from governments and private enterprises of the countries of the Common Market should become available for financing economic development in under-developed countries including those of the ECAFE region through various channels. The Common Market would facilitate this by bringing about higher levels of income and productivity in its member countries. The tariff duties under the Common Market may be higher on some items, but the general incidence of this common tariff will be lower than that of national tariffs in force previously. It was also pointed out by the representatives of France and Netherlands that the provisions of the Rome Treaty were fully consistent with the General Agreement on Tariffs and Trade.

The Committee recognized that it was not possible at this stage to express any firm opinion on the possible consequences of the European Common Market on the economies of the ECAFE region. It, however, considered that the matter was highly important and should be kept under review. To facilitate this task, it endorsed the suggestion that member governments prepare studies on the possible repercussions of the E.C.M. on their principal export products and forward them to the ECAFE Secretariat. It also asked the Secretariat to follow closely developments pertaining to the subject and prepare and circulate to the Committee analytical reviews of important studies completed by other international agencies, with special reference to the repercussions on the trade and economic development of the countries of the ECAFE region, and also findings and decisions of those agencies.

The Committee noted with interest the measures taken or contemplated by countries in Latin America and Scandinavia for greater co-operation in the field of trade, in particular the activities relating to the establishment of a regional market and a multilateral payments system.

With respect to the proposal to establish a Free Trade Area in Europe, the Committee considered that since the matter was still in the stage of negotiation, it was premature to express any opinion on its possible consequences.

However, it requested the ECAFE Secretariat to follow further developments of the project.

INTRA-REGIONAL TRADE PROMOTION TALKS

The Committee considered the proposal of the Government of Japan on intra-regional trade promotion talks. Some delegations favoured the proposal. They considered that many countries of the region could not afford to establish an extensive and expensive network of commercial services and would therefore find it useful to participate in the talks. The talks would provide an opportunity to discuss specific trade problems and trading possibilities on a bilateral basis in a multilateral setting, and could ultimately lead to negotiations resulting in an expansion of trade.

Some delegations did not favour the proposal pointing out that the scope for increasing intra-regional trade was limited and most countries of the region desired to promote their exports for which markets lay predominantly in countries outside the region. They also felt that trade promotion talks confined to member countries of the region might not lead to a net expansion of trade and might even militate against principles of multilateral trade. It was easy and possible for member governments to have bilateral trade consultations and negotiations at their convenience with interested parties, and it was not necessary to use the ECAFE Secretariat for this purpose.

In view of this lack of agreement, the Committee decided to submit the whole question of intra-regional trade promotion talks to the Commission at its forthcoming session in Kuala Lumpur for final decision.

EXPORT PROMOTION TECHNIQUES AND FRACTICES

The Committee noted that export promotion in the countries of the ECAFE region had acquired added significance in the present context of the basic inadequacy of foreign exchange resources needed for accelerating development. The problem had been aggravated because many countries in the region depended mainly for their export income on a limited number of primary commodities. It was considered that export income of the countries of the region could be increased by better grading, standardization, quality control and a greater degree of processing at home. The Committee considered that greater attention should be given to traditional exports not only because development of new exports was a long-term task but also because unless steps were taken to improve quality and to lower the cost of production the competition from substitutes might adversely affect them. ECAFE countries could adopt suitable techniques of preserving perishable products with a view to enhancing export earnings. It was believed by some delegations that new export markets could be developed for many ECAFE countries in lines such as minerals by entering into long-term agreements with leading consumers.

Measures taken by the countries of the region for export promotion included: strengthening of trade services in foreign countries, trade fairs and exhibitions, trade missions and dissemination of trade information. The Committee reviewed the steps that had been taken in the countries of the region to set up export promotion machinery and recognized that further improvements in such organization would make an important contribution to increase export earnings.

The Committee noted the fiscal and other incentives given to exporters in the countries of the region. These took such forms as rebate of import duty on raw materials, refund of excise duty on local products used in exports, use of replenishment quota, link system of tying weak exports to profitable imports, etc. Steps were also being taken for the strict enforcement of standards by pre-inspection and certification and the introduction of suitable standards and grades by appropriate bodies representing trade and industry. The Committee considered that an effective step towards the reduction or elimination of risks in export trade would be the organization of export risk insurance on a wide basis as has already been done in some countries of the region. The Committee considered that export promotion techniques and methods of advanced countries could be of benefit to ECAFE countries.

The Committee examined the role of state trading in encouraging an expansion of exports. Some delegations expressed the opinion that it could encourage exports of small producers by offering large scale economies and that state trading also had advantages in certain special circumstances, for example, in dealing with single buyer countries, as well as in the development of exports of certain goods which required special assistance. Other delegations stated that state trading had its own difficulties and limitations. Besides disrupting established trade channels it might lead to hardening of prices whenever large purchases were to be made in any market. Countries of the region might therefore wish to limit governmental trading transactions to those items and circumstances where state trading was found to be really useful and essential.

REGIONAL FLOATING FAIR

The Committee took note of the various problems relating to the organization of a regional floating fair and of the experience of Japan in launching a machinery floating fair in 1956/57. It noted that compared to an international fair on land the floating fair presented difficult organizational problems. For example, the time necessary for the preparations was longer, the expenses involved in chartering and reconditioning a boat were considerable, the space available for exhibits was much more limited, the administrative and technical problems more complicated and the number of visitors to the floating fair was much smaller. While a floating fair on a national basis might have proved successful, the Committee felt that time was not yet ripe for the countries of the region to organize a regional floating fair.

TRAINING OF TRADE PROMOTION PERSONNEL

The Committee noted the readiness of the Governments of India and Japan to offer host facilities and to implement the proposal to hold regional seminars on trade promotion, with UNTAA assistance, in Japan in 1959 and in India in 1960. Some delegations outside the region offered the services of lecturers and supply of literature on various aspects of trade promotion for use as reference material at the seminars.

The Committee attached great importance to the establishment of a regional training centre for trade promotion personnel in view of the dearth of trained personnel in several countries of the region and of the general desire for the promotion and expansion of trade. It was felt advisable, however, to postpone the implementation of this project until after an assessment of the results of the trade promotion seminars in Japan and India had been made.

WORKING PARTY ON CUSTOMS ADMINISTRATION

The Committee welcomed the proposal to convene a Working Party on Customs Administration in 1958 and expressed its appreciation to the Secretariat of GATT and the Customs Co-operation Council for their offer of full co-operation and assistance in connection with this Working Party.

TRADE IN MINERALS AND MINERAL PRODUCTS

The Committee supported the recommendation of the Sub-Committee on Mineral Resources Development that the ECAFE Secretariat should undertake a study on trade in minerals and mineral products. The Committee considered that practically no nation was adequately provided with all the minerals necessary for its industrial needs and that countries had to depend on each other for mineral supplies. The Committee was also aware that the ECAFE region was an important producer of many minerals, and that minerals and mineral products provided a very significant source of foreign exchange for many countries of the region. The Committee was of the view, therefore, that a study of the mineral trade in the region would be of great interest.

GENERAL OBSERVATIONS

The first session of the ECAFE Committee on Trade was very successful. The above review gives a formal account of what was discussed and what was decided in order to expand and liberalise trade in the ECAFE region. As a participant of this highly interesting and important conference I should like to stress the excellent spirit of co-operation and business-like attitude of all the delegations. This was due to a large extent to the chairman of the Committee, Mr. Luang Thavil Sethpanichkarn of Thailand, whose serene smile dominated the conference even at its more stormy moments. Informal meetings of the delegates outside the conference hall contributed greatly to the smooth running of the formal sessions and to the establishment of many valuable personal links. Considerable credit is also due to the ECAFE Secretariat for the most efficient handling of all organizational and administrative matters.

The Hongkong delegation, headed by Hon. Kwok Chan, took active part in all the proceedings, trying to convey especially the view that freedom in international trade is the best guarantee of success in raising the standards of living of all countries. On the other hand, by attending this conference we have learned to appreciate better the problems, policies and plans of our neighbours in Asia and the Far East.

The trade problems of Hongkong differ considerably from the trade problems of most countries of the ECAFE region. The position of the Colony resembles most closely that of Japan. However, the entrepot interests and the Commonwealth associations put Hongkong in an almost exceptional situation. The question therefore arises what, in future, could Hongkong expect to achieve through the offices of the ECAFE Committee on Trade. It appears that more specific studies in the trade in various commodities in the region would be most valuable. So far, ECAFE has been preparing a study on the trade in spices and now a study on trade in minerals and mineral products will be added. More commodity studies on primary products as well as on manufactured goods would provide the information based on research that individual trading firms seldom can undertake. Moreover, to be of practical value, these basic studies should be supplemented by up-to-date information regarding the manifold trade data, trends and prospects. Combination of such studies with market research organized on a regional level might be the next step which Hongkong would welcome.

Hongkong's attitude towards the European Common Market and the proposed Free Trade Area in Europe is a very complex problem. On its solution the economic future of the Colony may largely depend. There is no doubt that Hongkong itself must, first of all, consider these matters most carefully and make its views known in appropriate quarters. We cannot, however, isolate our problems from the general economic background of Asia and the Far East. For this purpose, ECAFE offices provide the most suitable platform. It is likely that in future Hongkong will have to use this medium even more frequently and more actively than up to now.

LAWS AND REGULATIONS AFFECTING FOREIGN INVESTMENT IN THE FAR EAST

Foreign capital is derived from private sources and from governments and international bodies. Capital from public sources, as a rule, comes under special agreements and consequently is not affected by the general body of laws and regulations on foreign investment promulgated by the capital-importing countries. Such laws and regulations mainly concern private foreign capital, which may be either direct or portfolio investment. The present paper deals essentially with laws and regulations affecting private foreign investment in these two forms.

The laws and regulations that directly affect private foreign investment fall broadly into four groups; (1) those affecting entry and authorization; (2) those affecting operational aspects (such as division of ownership and management between nationals and foreigners, employment and training of nationals); (3) those affecting transfer of income and capital (exchange control); and (4) those affecting taxation. An exhaustive study of each of these subjects would be a very large task. Consequently the present paper attempts only to present a broad general picture of the situation, constructed on the basis of materials available from governments and other sources. The material is incomplete and uneven in certain respects, and consequently the picture has gaps. But what has been available has also been substantial, and sufficient to make the attempt worth while.

The climate for foreign investment in a country obviously depends not only on laws and regulations applying directly, but also on the general background of economic and political conditions prevailing in the country. Factors such as manpower and material resources, market conditions and prospects, transport facilities, stability or instability of exchange rates, expectations regarding political and economic changes, all play a part. These basic factors affecting investment are of course not discussed in the present paper.

THE REASONS FOR CONTROL

Although laws and regulations differ considerably in the countries of the region, the general attitude to foreign investment which they reflect may be said to be one of restricted and conditional welcome. In the United Kingdom colonial territories, the old tradition of an open door, particularly if capital comes from the United Kingdom monetary area, still substantially prevails, but in the newly

independent countries, among others, a policy of regulation in various degrees has evolved. In a region whose domestic capital resources for economic development are very poor, this policy of controlling and limiting the inflow of foreign capital, though apparently paradoxical, is not difficult to understand. The great contribution that foreign capital can make to economic development, particularly if it brings with it improved technology and managerial skills, is well realized. Actually, most governments have made this quite clear in their policy statements. They have felt, however, that controls are necessary in order to safeguard the economic interest of the countries. The chief considerations that have prompted controls seem to be the following.

First, there is the general cost-benefit consideration. If foreign capital is allowed to operate in fields where profit margins are more than ordinarily high, and completely take away the profits, the benefit to the country in employment, subsidiary industries and so on may prove in the long run to be less than the cost. In such a case, a country may choose to defer the exploitation of its resources rather than hand them over to foreign capitalists. This feeling on the part of some governments has been strengthened by the spectacularly high profits which certain types of foreign investment have earned in the past in countries of the region, although of course they may not at all represent the true long-term yield of the investments. It appears that it is to guard against this danger of long-run loss to the country that some governments have denied certain industries to foreign capital, or have laid down strict conditions for the association of domestic capital with foreign capital.

A second consideration is the possible effect of the particular investment on the country's balance of payments. Foreign investment, quite aside from its obvious advantages, means an annual foreign exchange drain in interest, dividends and, in many cases, special foreign expenditure on materials and skills. This has to be weighed against the foreign exchange gain it may bring in export expansion or import substitution. In addition, exchange will be required if and when the investment seeks repatriation, which may happen suddenly or be spread over a period of time. There is also a danger that exchange may leak out through exaggerated statements of capital invested or returns obtained, defeating the country's exchange control regulations. For these reasons a system of screening, regulation and registration of incoming investment has generally been resorted to, particularly in countries whose balance of payments position and outlook are not satisfactory. Registration and validation by an exchange control authority also enables the foreign investor to establish an official record of his investment, thereby defining and ensuring, to the extent permitted by the regulations, his right to remit income and capital. In Japan, for instance, unless this protective registration takes place, no guarantee of remittance of income and principal is given.

A third consideration relates to key or strategic industries. It is considered politically and economically insecure to entrust them to foreign ownership and control, particularly if the industries are large and monopolistic. They are therefore either completely barred to foreign capital or a controlling domestic participation is insisted on.

A fourth consideration follows from the adoption of over-all investment planning. Most countries of the region are moving in various degrees from laissez-faire to planned economies. To the extent that such plans are adopted, control on the direction and size of investment, both foreign and domestic, are an inevitable corollary.

Finally, there has been a desire that foreign investment should not overlap or unduly compete with domestically owned investment already in the field. This may be described as a variation of the "infant industry" argument. No such danger is of course likely to arise in fully planned economies, but in unplanned or partly planned economies, the possibility has to be met by suitable controls on the entry and operation of foreign investment. There has similarly been a desire to protect domestic industries from "unequal competition" from existing foreign industries.

These are of course not the only reasons that have produced the existing controls. Even in the economic field, there have been other factors at work. For instance, the prevailing economic ideology of the country is a factor. An economy that plans to socialize production rapidly can be stricter towards the inflow of private foreign investment than an economy that desires to promote private investment generally. The country's need for capital is also important. Capital-hungry countries are likely to offer more liberal conditions to foreign capital than countries which can largely meet their own capital needs. Besides economic considerations, there are also political and historical factors. However, the five considerations listed above may be said to be the more direct and immediate factors producing controls.

THE PATTERN OF CONTROLS

The salient features of the laws and policies currently in force in the region, and the chief changes made in them since 1950, to which year the earlier ECAFE study on the subject related, are summarized below. The analysis also helps to reveal the more important differences in the treatment of foreign capital in the countries of the region.

General policy statements and enactments

Some countries of the region have embodied in the general policy statement or law the most important features of the control structure in force in the country. This helps to define the position to the prospective foreign investor who has otherwise to wade through a mass of specific laws and regulations touching on different aspects, such as entry and authorization, operation, income and capital repatriation, and taxation. It is a further help to him if this policy statement or law is supplemented by the establishment of a central office or bureau which can give him all necessary information and also serve as a link between him and the controlling ministries and departments.

For instance, general statutes on foreign investment have been passed by the Governments of Japan (1950), Afghanistan (1954), the Republic of China (1954) and Cambodia (1956). Certain other governments like those of Indonesia, the Republic of Korea and the Philippines, are contemplating the enactment of such general laws in the near future. In Indonesia, a draft bill has already been approved by the Cabinet. Broad policy statements, as distinguished from actual legislation, have been made by a number of governments, for instance, Burma, Ceylon, Indonesia and the Republic of Viet-Nam (all in 1955). Pakistan, which had issued an Industrial Policy Statement in 1948, revised it considerably in 1954; the revised statement provided for more liberal treatment of foreign investment. Pakistan has also established a Business Facilities and Information Bureau, one of the few in the region, for the benefit of the foreign investor. India issued a new Industrial Policy Resolution in 1956, redrawing the boundaries between public and private investment and confirming the general principles regarding the entry and operation of foreign investment laid down in the earlier policy resolution of 1948.

Basic statements and laws of this type are necessarily very general in character. They can only set forth the most important principles and conditions governing foreign investment. Nevertheless, they serve a very useful purpose and might well be more widely adopted by the countries of the region.

Entry and authorization

In every country of the region, an authorization or official approval of some sort is required for importing foreign capital or starting a foreign-owned project. In the case of portfolio investment, authorization is easy and is practically identified with compliance with current exchange control regulations. In other cases, particularly in the establishment of new enterprises, the project must satisfy not only exchange control regulations but also the general test of economic usefulness. This economic usefulness is not very clearly defined, but seems to be generally judged by the capacity of the project to contribute to the country's economic development, earn or save foreign exchange, fit into its development plan—in short, by more or less the same considerations that have been listed before as bearing on the necessity for controls.

Exchange control approval and registration is partly in the interest of the investor himself. It enables him to claim exchange facilities for income and capital transfers later.

Regarding entry, some governments list particular fields where foreign investment is especially welcomed. For instance, the Burmese Government appended to its policy statement a list of such industries. Similarly, projects for which foreign capital is considered suitable are specified by Afghanistan, Nepal and Thailand in their policy statements. The Pakistan statement mentions twenty-seven industries where repatriation facilities are guaranteed. In Japan, the desired types of investment in kind ("technological assistance contracts" for transfers of patent rights, etc.) are announced quarterly.

In most countries there are industrial fields in which foreign activity is not allowed, or is only allowed subject to special conditions. These fields vary from country to country; they generally include defence industries, public utilities, exploitation of mineral and other natural resources (Burma, Japan), trade (Afghanistan, Ceylon, India, Philippines), banking (Japan) and small industries (Indonesia). In general, authorization formalities are easier in United Kingdom colonial territories than elsewhere, being virtually based on sterling area exchange control practice.

Operation

Policies and measures affecting operation of foreign enterprises fall into three main groups: (1) those that deal with taxation, (2) those that deal with repatriation of income and capital (exchange control), and (3) those that deal with other aspects, such as division of investment between the State and the private sector, reservation of parts of the private sector for nationals, purchase of land, etc., and other aids. Exchange control and taxation warrant special treatment; the third group is discussed here.

Size of the private sector

Policy regarding the division of investment between the public and the private sector differs widely in the countries of the region. In some (Burma, India and Indonesia) the public sector is large and progressively expanding. In India particularly, there has been substantial growth recently, conspicuous examples being the nationalization of life insurance and an important part of commercial banking. The new Industrial Policy Resolution of April 1956 redefines the boundary between public and private sectors, widening the public sector considerably. Certain other governments have also issued statements clarifying the scope of the two sectors. Other things remaining the same, where the general area of the private sector shrinks, the area of foreign investment also automatically tends to shrink.

On the other hand, in Afghanistan, Ceylon, China: Taiwan and southern Korea, there has been an opposite shift from the public to the private setctor. The Governments of the Republic of China and the Republic of Korea plan to hand over to private industry some of their existing large public enterprises. Denationalization of some of the State industrial projects was also the declared policy of the Ceylon Government which went out of power in April 1956. The new government's intention appears to be to halt, if not to reverse, that policy. Most countries' of the region are, however, still mainly private enterprise economies, or rather mixed economies with greater accent on private than on government enterprise.

Policy regarding nationalization

Most countries have also indicated their policies regarding nationalization of existing private industries. Fear of sudden nationalization affects materially the efficiency and growth of private investment. Most countries have announced that it is not their intention to nationalize existing private enterprises, although new enterprises may be government-owned. With regard to foreign capital, guarantees against nationalization have been given either by special legislation or by policy statements of the Governments of Burma, Cambodia, the Republic of China, the Republic of Korea and Thailand. A recent pronouncement by the Malayan Minister of Commerce states that the Government of the Federation of Malaya will not nationalize foreign-owned enterprises. Most of the guarantees given are, however, for a specified period (Burma, not fewer than ten years; Cambodia, ten to twenty years; the Republic of China, ten years; the Republic of Korea, fifteen years). In December 1955, the Government of Indonesia announced that private foreign enterprises in social and public utilities would not be nationalized except on agreement with the owners.

In the event of nationalization or expropriation (in certain countries, after the expiration of the period covered by the guarantee), the payment of fair and equitable compensation has been assured by many governments (for example Burma, Cambodia, the Republic of China, Pakistan and the Philippines). On the other hand, the Constitutional Amendment of April 1955 in India stipulates that adequacy of compensation will not be subject to judicial review. Remittance of proceeds from properties in the event of nationalization has been specifically assured by the Governments of the Republic of China, Japan and Pakistan.

Reservation of the private sector for nationals

Within the sphere allowed to private enterprise, most countries reserve certain areas, usually trade and internal transport, for domestic as against foreign capital. In Ceylon, trade with certain countries is exclusively reserved for nationals. Reservation is, however, more commonly accomplished by prescribing a share in ownership and control for nationals in all or certain industries, rather than by reserving any industries completely. India, for instance, has announced that, as a rule, majority interest in ownership and control in all enterprises should be in Indian hands, although exceptions will be allowed in special cases. In Cambodia, the Foreign Investment Law of 1956 provides that at least

50 per cent of the registered capital in any enterprise must be owned by the Cambodian Government or nationals. In Nepal also, there is a similar principle of majority ownership and control by Nepalese nationals.

In some other countries there is no general restriction on the proportion of ownership by foreign capital but there are limitations in specific industries. For example, in Burma the maximum foreign capital permitted in public utilities and in the exploitation or development of mineral and other natural resources is 40 per cent. Similar limitations existing in Indonesia (51 per cent ownership by Indonesians for basic industries), Pakistan (40 per cent by Pakistan nationals for certain specified industries and 30 per cent for certain other industries) and the Philippines (60 to 75 per cent ownership or control by Philippine citizens for banking, exploitation or development of natural resources, air and land transport and coastal shipping). In the Republic of China, the company law and other laws provide for specified minimum shares of a company to be held by Chinese nationals, but investment pursuant to the Statute for Investment by Foreign Nationals is exempted from these restrictions, subject to special approval by the Executive Yuan. No restrictions on ownership and control by foreign nationals are provided for in the legislation of Afghanistan, Ceylon, Hongkong, Japan, the Republic of Korea, Laos, Malaya and British Borneo, Thailand and the Republic of Viet-Nam.

There are regulations in some countries concerning the nationality of directors and managers, and the employment of foreign experts and technicians. In Nepal, the chairman of the board of directors and at least 50 per cent of the members of the board, as well as the occupants of at least 50 per cent of the posts in the administrative and managerial services, are required to be nationals. In Cambodia, a provision for minimum compulsory employment of 50 per cent Cambodian staff is included in a draft bill for investment of foreign capital. In Indonesia, employment of foreigners is subject to certain regulations. In Afghanistan, there is no minimum requirement, but foreign investors are required to employ and train Afghan workers and technicians so far as possible.

In a few other countries there are restrictions on the nationality of directors, managers and employees in specific fields of industrial activity. In Pakistan, such restrictions are applied to foreign trade, petroleum and mining. In the Philippines, banking, transport, coast-wise shipping and air transport are subject to such restrictions. The Mining Law, the Merchant Marine Law and the Civil Aviation Law of the Republic of China provide for minimum proportions of Chinese nationals; however, the foreign investor is not subject to these restrictions when special approval is granted by the Executive Yuan.

Most countries attach great importance to the employment and training of nationals, even though they have no specific laws on the subject. Immigration regulations are used in some countries to promote employment of nationals, allowing residence permits to foreign personnel for limited periods of time and renewing them only on proved necessity.

Most countries as a rule prohibit the alienation of land to foreign owners, but exceptions are made in selected cases. Leaseholds are, however, freely allowed. There are usually no restrictions on the acquisition of other types of asset. The statement of the Government of Ceylon on foreign investment expressly states that there will be no discrimination between foreign and local concerns under any system of rationing or control in respect of raw materials, labour and so on.

Financial and other aids

An important recent development in the countries of the region has been the progressive improvement and extension of basic facilities in the form of transport, power, financial institutions and research organizations. This is improving the general climate for private investment. Most of the benefits are enjoyed without distinction by domestic, foreign and domestic-foreign enterprises, though in the case of financial facilities, permission from the authorities in charge of exchange control or capital issue may be required by wholly foreign concerns for raising long-term finance within the country.

Special mention may be made of the establishment of new financial institutions. Over-all shortage of private capital, lack of an organized capital market, and bias in the existing credit structure towards financing short-term commercial activity have been major obstacles to the development of private enterprise in most countries of the region. To meet these deficiencies, special financial institutions have been established, having as their major purpose the supplying of investment funds from government and other sources to private industries. Such institutions engage largely in making long-term and medium-term loans, in some cases also promoting new enterprises by holding shares of companies and by providing technical assistance, and in others participating in the management of enterprises. They include the following: in Afghanistan, the Agriculture and Cottage Industry Bank (1954); in Cambodia, the Office of Popular Credit; in Ceylon, the Development Finance Corporation (1955); in India, the National Industrial Development Corporation (September 1954) and the Industrial Credit and Investment Corporation (January 1955); in Indonesia, the Bank Industri Negara (1951); in Japan, the Japan Development Bank (1951); in southern Korea, the Korea Reconstruction Bank (1954); in Pakistan, the Pakistan Industrial Development Corporation (1952) and a proposal for the establishment of an Industrial Bank (1955); and in southern Viet-Nam, the National Investment Fund (1955) and the Agricultural Credit Institute (1955).

Financial aid is given in many countries for rehabilitation and expansion of certain industries. One example is the rubber and coconut rehabilitation project in Ceylon. An important related form of aid which is on the increase is that furnished by protective tariffs and special tax incentives. These are mentioned in the section on taxation.

Controls on repatriation of income and capital

Broadly, the position in this respect in the region is that income transfers—transfers of interest, dividends, royalties, wages and salaries, etc., after taxation—are rather freely allowed, while capital transfers are subject to fairly strict control. Some governments (Cambodia and the Republic of Korea) limit the maximum annual income transfer to specified percentages of the capital invested. Reasonable annual remittances are allowed out of service income—wages and salaries—for maintenance of dependants abroad. On retirement, transfers of accumulated savings are also freely allowed. Regarding capital transfers, loan repayments according to contract are freely permitted. The repatriation of equity and direct investment is allowed on the sale or liquidation of business. This transfer is allowed immediately in sterling area countries, but spread out in annual instalments in most non-sterling countries. Capital appreciation is expressly declared to be eligible for repatriation in some countries, but most countries do not clearly define the position in this respect. The right to repatriate (immediately or over a period of time) capital whose entry has previously been approved and registered is accepted,

but all other investments must seek special permission. A distinction is made in some countries between capital invested before a certain date and capital invested after that time.

In general, transfer facilities are easier in sterling area countries (Burma, Ceylon, Hongkong, India, Malaya and British Borneo, and Pakistan) than in other countries. In the sterling area countries, there are normally no limitations on remittance of profits and dividends by non-residents. Repatriation of capital by non-residents on sale or liquidation of business is freely permitted to other sterling area countries, but repatriation to non-sterling area countries is usually subject to control. There has been, however, some relaxation of this control since 1950. For instance, in Ceylon and India, investments in approved projects made by residents of non-sterling area countries after 1 January 1950 have been declared eligible for repatriation at any time. In Pakistan, capital invested after 1 September 1954 in specified industries approved by the Government may be repatriated at any time. In Hongkong, repatriation of capital to the non-sterling area is subject to approval by the exchange control authority. In Burma, the Government allows the repatriation of investment over a reasonable period.

In non-sterling countries, exchange control regulations on transfer of income and repatriation of capital are rather complex and divergent. In most of these countries, there are no special restrictions on remittance of dividends, profits and other income from investment. Such remittance is subject to whatever exchange control regulations are in force at the time. In Japan, remittance of dividends and other income from investment approved and registered by the Government under the provisions of the Foreign Investment Law is guaranteed by the Government without any limitations. In Cambodia, the remittance of profits is limited to 8 per cent annually on the invested capital. An annual limitation equal to 15 per cent of the total investment is stipulated in the Statute for Investment by Foreign Nationals of the Republic of China, and the draft Foreign Capital Induction Bill of the Republic of Korea proposes an annual limitation equal to 30 per cent of the total investment. In the Philippines, there are differences in provisions for remittance of earnings from new investment (that is, invested after 9 December 1949, when exchange control was introduced) and those from old investment. A formula is used for deciding the maximum amount to be remitted for earnings on old investment, while in the case of new investment the amount is to be agreed upon at the time of screening for entry. In Indonesia, the transfer abroad of dividends and profits from old investment (prior to 1953) has been subject to special regulations since 1954. For example, the regulations announced in July 1955 placed no restrictions on the transfer of dividends and operating profits earned in 1953, but the transfer of those earned in 1954 was limited to a certain amount—dividends to 30 per cent of the paid-up capital of the companies, profits to 60 per cent of the net profits after tax. In addition, transfers of profits from old investment are subject to an exchange transfer tax of 66 2/3 per cent.

Regarding repatriation of capital also, the situation varies. In the majority of countries there are no specific regulations limiting capital repatriation. However, according to the regulations of the Republic of China, repatriation is limited annually to 15 per cent of the total investment commencing two years after the investment is made. In Japan and in a current proposal for the Republic of Korea, repatriation is limited annually to 20 per cent of the capital, after two years. In Cambodia the limitation is more strict, being 6 per cent of the capital annually, as from the fourth year of the investment. In Indonesia, transfer of capital has been suspended since 1 January 1954; however, the latest policy announcement indicates that such transfer will be permitted in the future. In the Philippines, transfer is not allowed for old investment, but for new investment it is allowed in accordance with the amortization schedule of the enterprise in question.

Most countries, as already noted, do not make any special provision about the transfer of capital gains. In India, Japan and Pakistan, however, capital appreciation is expressly permitted for repatriation.

In addition to exchange control provisions, the Governments of the Republic of China, Japan, Pakistan, the Philippines and Thailand have also concluded agreements with the United States under which the transfer of revenue and capital of investments by United States nationals in these countries is guaranteed. The agreements were made in 1954 and 1955.

Taxation

Tax questions that are of special importance to foreign investors in practice are the taxation of income of foreign (non-resident) individuals and corporations, taxation of dividends (including inter-corporate dividends), double taxation relief arrangements, and tax incentives and concessions, if any, given for investment.

Regarding tax jurisdiction, the system generally prevailing in the region is to tax resident individuals and entities on their global income, regardless of place of origin, and non-resident individuals and entities only on their local income (income originating or received in the country) though it may be, as in India and Pakistan, at rates appropriate to their global incomes. In certain countries, such as India and Pakistan, however, non-resident corporations which derive more than half of their income from the country are taxed on their global income. Both individuals and corporations are taxed, but double taxation of the income distributed by a corporation is generally avoided, at least in part, by giving the shareholder credit for the tax paid on the income by the corporation. A conspicuous exception is Thailand, where no credit at all is given. Even in the case of other countries, the credit given is seldom full. For instance, in Ceylon credit is given for the income tax, but not for the profit tax paid by the corporation; in India and Pakistan, it is given for the income tax but not for the supertax. Dividends going to non-resident shareholders (corporate and non-corporate) are in some countries (India, Japan and Pakistan) separately taxed and the tax is withheld at the source, while in others (Ceylon) they are not separately taxed. The tax rates on individuals are progressive in various degrees, but the tax rates on corporations are in most instances proportional, noteworthy exceptions being those of the Republic of China, Indonesia, the Philippines and Thailand. In India and Pakistan, a form of graduation based on the dividend rate has recently been introduced.

There appears generally to be no discrimination in the over-all tax treatment of residents and non-residents. Non-resident individuals are, however, usually denied personal allowances and are also taxed at higher rates, because their global income, on the basis of which their tax bracket can be determined, is not known. Non-resident corporations are in some countries (Thailand) taxed at precisely the same rates as resident corporations. Where (as in Ceylon) non-resident rates are higher, the difference is meant to offset the immunity which foreign shareholders

of non-resident companies enjoy from certain types of domestic tax liability, for instance, estate duties.

Tax incentives

There is a wide range of concessions which selected investments enjoy in the countries of the region. The concessions have expanded considerably in recent years. They are generally non-discriminatory and applicable equally to foreign and domestically owned investments. The concessions have tended to provide new incentives for the flow of private foreign investment into the region and have offset, to some extent, the growth of controls in other respects.

The concessions have taken many forms. One grants exemption or reduction from income and other taxes to "new and necessary industries". The exemption from income tax is generally given for a limited period (six years in Ceylon) and up to a certain rate of return on the investment (up to 6 per cent in Burma and India and 5 per cent in Ceylon and Pakistan, government-sponsored mixed corporations in Ceylon, however, being free from this limitation).

In some cases, the concession is limited to industries using power or employing a minimum number of workers (twenty-five persons in Ceylon); in others, it is limited to certain types of project. Dividends paid out of these exempt profits are also generally exempt. In addition, India exempts inter-corporate dividends from non-exempt enterprises in basic industries, while Pakistan grants relief to individuals for amounts invested in shares of approved corporations. Exemptions from other taxes may include exemptions from sales taxes, land taxes and customs duties. Tariff concessions apply generally to the importation of equipment and materials; in most countries they are general and not confined to selected industries.

Another important form which the concessions have taken is the liberalization of depreciation allowances. This is generally done by granting a high annual depreciation rate or granting an initial allowance, which is deducted in the year of acquisition of the asset, while the remainder of the cost is depreciated at the normal rate. Such concessions are usually allowed (for instance, in Ceylon, India, Japan, Federation of Malaya, Pakistan and Singapore) for specified classes of buildings, machinery and equipment. In addition to full depreciation of total costs, some countries —for instance, India—also give special allowance for new investment in capital goods. Under these investment allowances or development rebates, part of the cost of new fixed assets is deducted from taxable income in the year in which they are acquired.

To promote ploughing back of profits, many countries of the region give tax rebates on undistributed profits. India abolished the rebate in 1956, but at the same time penalized high-level distribution of profits by graduating the corporate income tax according to the size of the dividend.

A few countries (India, Japan and Pakistan) give special income tax concessions to foreign technicians.

Double taxation relief

Taxation of the same income by the country where it originates and also by the investor's home country may be an important obstacle to foreign investment. Relief from such double taxation may be given unilaterally by the capital-exporting or the capital-importing country, or through bilateral agreements. Such agreements either divide the field of taxation between the two countries or provide for tax credits on doubly tax incomes. So far, only a few bilateral agreements have been concluded by the countries of the region, but the number is increasing. The more important recent agreements are those between Japan and the United States in 1954, Indonesia and the Netherlands in 1954 and Pakistan and the United Kingdom in 1955. In general, the agreements so far concluded relate to income and profit taxes; they provide that non-resident enterprises shall be taxed only in respect of income arising in the country, and tax credits shall be given to residents for income taxed in the other country. A few agreements are in process of negotiation.

The paucity of bilateral agreements does not mean, however, that double taxation is serious or widespread. Actually, most countries of the region provide for relief against it unilaterally, in various degrees, in their own tax laws. Relief is also often available in the investor's home country. For instance, Canada, the United Kingdom and the United States grant tax credits to their residents on income taxed in foreign countries.

Apart from bilateral tax agreements, general bilateral treaties to promote trade and investment have been concluded in recent years by some governments. The treaties generally provide for liberal reciprocal treatment (the so-called "national treatment") of foreign investors in each contracting country, assurances regarding income and capital transfers, and fair and non-discriminatory treatment of foreign investments in the event of nationalization. Bilateral treaties of this nature have been made with the United States by the Republic of China and Japan, and with France by Laos.

Certain other treaties may also be mentioned in this connexion. The United States-Philippines Trade Agreement of 1946, generally known as the Bell Trade Act, was revised in 1955. In addition, the Governments of the Republic of China, Japan, Pakistan, the Philippines and Thailand have recently concluded agreements with the United States to permit the guarantee of investments by United States nationals, pursuant to the provisions of section III (b) (3) of the Economic Co-operation Act of 1948, as amended. The reparation agreement between Burma and Japan (1954) provides for investment by the latter in joint Burmese-Japanese enterprises.

CONCLUSION

The net position that the mosaic of laws and policies reveals in any individual country, or in the region as a whole, is not easy to describe. But in general it may be said that foreign capital is still warmly welcome in every country, although the new policy is to channel it into selected fields under prescribed conditions, for the purpose of advancing and safeguarding the economic interest of the country. This is naturally the policy, for example, in countries where, following attainment of independence, attention has turned to framing national plans to promote economic development.

There is no doubt that in certain respects new regulations that have grown up since 1950 have made investment in the region less attractive to foreign investors than before. For example, the fields in which it can operate have been somewhat curtailed on the whole, the degree of required participation of local capital, management and labour has been increased in several countries, and repatriation of income and capital has in some cases been made less free. But at the same time in certain other respects the attractions have increased. The laws are now better defined, double taxation relief is expanding, and government assistance to private investment in general is large and growing.

PAPER MONEY IN MODERN CHINA (1900—1956)

COPPER BANKNOTES IN CHINA

By E. KANN

PART XXX

COPPER NOTES IN SZECHUEN PROVINCE

Copper coins in Szechuen Province were struck by the government mints of Chengtu and Chungking in 10 and 20-cash denominations; but also in face values of 50, 100 and 200 cash. In 1925, one silver dollar was exchangeable for 255 copper coins @ 20-cash, i.e. 510 coppers payable in 20-cash (2-cents) pieces, or 408 coppers @ 10-cash (1-cent). Coppers in the higher denominations were showing greater depreciation than the coins calling for 10-cash. Paper notes calling for coppers were issued by the Szechuen Government Exchange Bureau, also by the Chungking Municipal Council and the Chungking Chamber of Commerce. These notes came in denominations of 1, 2, 2½ and 5-cents.

In the year 1925, the Municipal Council of Chungking emitted copper notes in denominations of 10, 25 and 50 cents in a total face value of 1 million dollars. There were no special exchange shops in Chungking that undertook the issue of copper notes.

In 1896 a sum of 50,000 silver dollars was introduced from Hupeh into Chungking, together with cash-notes. In 1897 an additional 50,000 silver dollars, also produced by the Wuchang mint, were brought to Chungking and placed into circulation there, and government notes of a face value of 1,000 cash were printed. These, unfortunately, failed to turn out to be actual 1,000-cash notes, since their exchange value was fixed at 8 mace of silver, which was worth only 900 cash at the time. The people, therefore, showed no inclination to use either the silver coins or the notes. The attempt to introduce them proved to be a failure.

In 1924, the Chengtu Municipal Board of Finance issued 50,000 *Tiao* notes in denominations of 1 and 2 cents for circulation in Szechuen Province. Redemption was to be effected in old hole-cash, i.e. 10 cash for the 1-cent note, and 20-cash for the 2-cents note. The district of Nankiang-hsien (Szechuen) also issued copper cash notes in denominations of 1,000 and 5,000-cash; possibly also other values. The reverse side of that fiat-money was left blank.

It was in about 1936 that the Central Bank of China issued copper banknotes in denominations of 10, 20 and 50 cents for circulation in Szechuen Province only. These were printed by the Chunghwa Book Co. Ltd., Hongkong. The notes were undated. They were surcharged in deep-red Chinese ideograms, stating that they were for circulation within Szechuen Province only. Moreover, that the ratio of copper cents to silver dollars has been fixed at 200 to 1. This meant that the three aforementioned notes could also have been used in payment of 5, 10 and 25 silver cents, respectively.

In attempting to record the Szechuen sources which issued copper banknotes (again ignoring private issuers), we find the name of the Szechuen Government Exchange Bureau. Almost certainly this is the analogous institution discussed under reference No. 57.

The second source, the Chungking Municipal Bank, likewise has been recorded already under No. 105.

On the other hand, so far two copper notes issuing establishments have not yet been tabulated, and this is now done here:

(320) CHUNGKING CHAMBER OF COMMERCE

issued copper notes in the mid-1920ies.

(321) CHENGTU CHAMBER OF COMMERCE

figured as issuer of copper-cash notes in 1924.

(321a) CHENGTU MUNICIPAL BOARD OF FINANCE

issued copper notes in 1924.

COPPER NOTES IN SHANSI PROVINCE

From time of old it has been the practice of merchants in Shansi Province to issue paper money calling for copper. Aside from private firms, almost all the native banks in Shansi Province put copper notes in circulation. Due to over-issues, a serious financial crisis set in 1922, and during that and the following year over 200 banks and exchange shops in Shansi Province had to close down.

The old hole-cash had systematically been collected for years, melted down and re-minted into modern copper cent coins. They were, however, thought too good for the province, and therefore the metallic money was exported to neighboring provinces. For circulation within Shansi Province copper notes were deemed good enough. Unscrupulous issues of paper money resulted in inflation of the worst kind, causing bankruptcy of many concerns. These calamities brought about the interference of the Legislature.

Toward the close of 1923, the Government promulgated regulations governing the issue of paper money; these rules permitted firms to emit paper notes only to the extent of their capital. Furthermore, a reserve of at least 40% was to be kept against notes issued. The issuing firm was required to obtain the guarantee of two concerns of sound standing for its total emission of paper money. In the event of these rules being violated, the magistrate in whose district the issuing firm was operating, was to be held responsible to the same extent as the concern which violated the regulations. However, while limited liability companies were permitted to issue notes only up to the extent of their capital, firms or bankers with unlimited liability were granted the right to place in circulation notes to the extent of one and a half times their nominal capital.

In No. 241 of the 1925 issue of the Chinese Economic Bulletin" the following particulars are found regarding copper notes in Shansi:

"At Kiehsin and Pingyao the local copper currency is unduly inflated by the issue of copper notes by local merchants. By custom, shops other than banks are entitled to issue cash or copper notes in these districts. The notes are accepted at par in daily transactions, but are rarely

cashable in large sums. The result has been that Kiehsin and Pingyao pay a premium of about 3% for metal; that is, a dollar exchanges for about 301 or 302 coppers in notes, but only 291 or 292 coppers in metal. In Taiyuan cash and copper notes are issued by the Shansi Provincial Bank only. They enjoy more confidence, their rate being always at par with the coins."

In No. 237 of the same Weekly (1925) the following observations are made regarding Shansi copper notes:

"Copper notes also circulated in Taiyuan and other busy centers. The notes are issued by the Shansi Provincial Bank, surcharged with the name of the place for which they are issued. Hence they circulate only locally. The notes are of four different denominations, namely: 10, 20, 50 and 100 coppers (@ 1-cent). So far these notes are at par with the copper coins."

Toward the close of 1928, copper notes issued by the Shansi Provincial Bank aggregated about 4 million *Tiao*, each *Tiao* being equal to 100 coppers (@ 1-cent).

Since we do not enumerate private issuers of paper money, there remains only the Shansi Provincial Bank to place on record as issuer of copper notes within Shansi Province. However, same has already been dealt with under reference No. 50.

Allegedly the Shansi Provincial Bank held only 25% of its note-issue as reserve. As the province was a perennial storm center, it can well be imagined that most of the paper remained unredeemable.

COPPER NOTES IN HUNAN PROVINCE

Cash notes of various denominations issued by diverse native banks and cash shops were in circulation up to the end of 1918. These notes were not exchangeable for metal, but only for other paper notes issued by the Hunan Provincial Bank which got into difficulties and closed its doors. The loss and sufferings of the local people in consequence was very great. With a view to remedying matters, General Chang Ching Yao, the Tuchun of Hunan Province, and some leading financiers established at the end of 1918 the Yu Hsiang Bank which, however, did not succeed in improving matters and closed down when Chang Ching Yao left the province in June of 1920.*

The Hunan Provincial Bank, sometimes styling itself also Hunan Bank, was a prolific issuer of copper notes. In 1904 its paper money with the dragon emblem up to 1,000 cash was in circulation. The first year of the Republic (1912) witnessed a large emission of its copper notes, characterized by two peacocks facing each other. In 1917, the Commercial Press, Shanghai, filled large orders for Hunan copper notes depicting streets in Changsha, the capital. Even the American Banknote Company was called upon to supply notes calling for 100 coppers (and perhaps also other values), dated 1915.

Here we have two official institutions which emitted copper notes, but whose career we have already discussed, namely:

The Hunan Provincial Bank, details about which will be found under reference No. 23; and

The Yu Hsiang Bank (spelt by some as Yu Sien Bank), another sinner, found under reference No. 22.

(321b) HUNAN INDUSTRIAL BANK

had copper notes in traffic for 100 and 200 coppers dated 1916.

(321c) HUNAN BANK

issued paper money for 100 coppers dated 1912. Quite likely it is identical with the Hunan Provincial Bank, though it is inscribed in Chinese and English "Hunan Bank".

(321d) HSIANG TANG CHAMBER OF COMMERCE

In 1917 the Hsiang Tang Chamber of Commerce, situated in Hunan Province, issued paper money in terms of copper cash. The total probably was moderate; but this does not necessarily mean that the notes were redeemed.

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* See "Maritime Customs Decennial Report, 1912/21", vol. I, fol. 293.

(To be Continued)

CHINESE PEASANTS' PAYMENT FOR LARGE PROJECTS

"On whom shall we rely for aid, the State or the masses?" rhetorically asks the editorial writer in the Peking People's Daily in an article devoted to the massive water conservancy and irrigation projects. It was a question that appears to have been asked with some concern during the many conferences held in China in December to deal with these and cognate questions. The question had already been settled in most areas—and the masses had it! But in other areas the masses were much less willing and so, apparently, were their local leaders and cadres who were most anxious to know first of all how much the State was prepared to spend on these projects instead of getting down to the mobilisation of the masses therefor. They plan to do more if the State is prepared to spend more and to do less if the State is prepared to spend less. Some have even declared bluntly that if the government wants work done on a grand scale it must invest huge sums accordingly. Some districts and some APCs have shown no enthusiasm whatever for these enormous projects and have not even lifted a finger to start the work, "largely because of this attitude of depending on the State."

The Peking mouthpiece points out that the State has increased its appropriations for water conservancy for 1958 to the utmost of its ability, and actually released between 20 and 25 per cent of the total in advance. But these can be regarded only as a subsidy. The money must be raised chiefly by the masses themselves. This is not only because the State has limited financial resources, but also because the small-scale irrigation projects, forming the main part of the drive, are works that should properly be undertaken by the masses themselves and cannot be done in quantity, speed, and economically without them. One county in Kwangsi is cited which has taken so long to irrigate the land and it would take another sixteen years before seasonal drought could be overcome at that rate. And the slow rate of progress in the past six years was due chiefly to the reliance of the cadres on the State for aid. This particular county (Laipin hsien) has at last seen the light, and whereas it took six years to irrigate 255,000 mow, in the coming spring it will irrigate another 530,000 mow. In some districts of the county the masses have "voluntarily" raised large sums of money and assembled materials for the elimination of drought within this year. Another example was that of the building of canals from the Sangkan River in Yinghsien, Shansi. One built at State expense cost more than 110,000 yuan, plus a grain subsidy of more than 30,000 catties. It was only seven miles long, took more than two years to complete, and the quality of the work was poor. Another canal, parallel to the first and built by the masses themselves, was done in 20 days and the quality of the work was good. The State spent only 13,000 yuan in subsidies.

It is emphasised that the boring of wells, the digging of ditches, canals and ponds and the building of dams form a component part of agricultural production. The peasants "have always considered it their own duty to build irrigation works and till the land." Owing to the restrictions of past social conditions, however, they were unable to carry out their wishes for large-scale conservancy projects and had to endure for centuries calamities from flood and drought. Now social conditions have completely changed and it is possible to organise and combine the forces of the peasantry, and the cadres and peasants have gained much experience in this work in the past year. They can and must be relied on for small-scale conservancy and irrigation projects. A State monopoly of these projects can only lead the masses into thinking erroneously that they are building projects for the State and not for themselves. The argument does not appear to be appreciated in some places because it is argued that the conditions are poor and so are the people, and that without plenty of aid from the State the projects cannot be carried out. Aid is necessary, it is true, in certain mountainous areas and in the old revolutionary bases and calamity-ridden areas, but even in these areas the masses should be relied on for supplying the labour, money and materials needed for the building of small irrigation projects. These areas have been sunk in poverty for centuries because little irrigation work was carried out, and production could not be expanded. Some areas suffer from drought regularly, such as Tungan county in Hunan, where in 1956 78 per cent of the whole area was stricken by drought and grain output fell by 35 per cent as a result. In 1957 63 per cent of the area was affected by drought, and because of this threat 130 APCs in the county at the end of the last autumn harvest entered into a pledge to eliminate drought by their own efforts. One hsiang which suffered severely undertook to build a reservoir with a capacity for the irrigation of 1,600 mow. The editorial quotes a letter from them to the leadership in the county saying they wanted neither money nor grain but only a technician to direct their efforts. This example is cited as showing that "the determination and enthusiasm of the masses is often unexpectedly high to those cadres who only see difficulties ahead. Miracles are often worked in the most difficult areas."

There are other cadres who look down on small scales and desire only grandiose projects, which require much technical assistance and cost much money. Large and medium-scale projects are admittedly necessary and the State has actually invested huge sums of money in projects to harness the big rivers and have started many medium-scale projects all over the country. But because they cost much money they can be built only gradually and at carefully selected pivotal points. They cannot replace the small scale projects intimately needed by the people. The advantage about the smaller projects is that they are cheap, give quick results, and can be built by every hsiang or co-operative without much outside aid. Finally, it is contended that as a result of the massive socialist propaganda movement throughout the country the activism and enthusiasm of the peasants for production had greatly increased, while co-operative organisation had added to their resources

In Anhwei, where the peasants have been almost heartbroken by the failure to counter calamities after all the fine promises and the large-scale conservancy works on the Huai River, no fewer than ten million peasants had taken part in a high tide of conservancy work in December and a total of 260 million cubic meters of earthwork and stone work had been completed. They started three weeks earlier than usual and worked with great zeal. Some 300,000 in every county, or 70 per cent of the labour power, took part, and one county pledged to complete in the winter jobs scheduled for the coming spring. Since the beginning of November a total of more than 120 million man days of work has been done in water conservancy in a single month, and the high tide is still developing, while labour emulation drives are being organised every-

DEVELOPMENTS IN CHINA

Behind the despatch of some millions of both hard-core and disgruntled Government cadres, youths and school-children to the rural areas lies much more than mere disciplinary or punitive ideas. From time immemorial the Chinese have been descending the rivers and populating the plains. Great areas of the hilly and mountainous interior which was the real homeland of the Han people have been forsaken, and the lack of communications has prevented the counter-pressure of modern times from the over-populated plains from seeking an outlet into the hills. True, the Communists themselves had perforce to do this. They had to retreat to poverty-stricken mountain fastnesses to protect themselves from annihilation during the many campaigns by the Nationalist armies. No doubt the party leaders have pretty strong ideas on the salutary nature of such an exodus. Anyone who looks at a contour map of China will be struck by the vast amount of hilly land and the relatively small portion of plains, much of which lies close to the coast. Now a co-ordinated campaign linking mechanisation and science with migration reverses the long retreat from the highlands to the plains and the coast and advances on the great areas of hilly land where the Communists themselves sought and found succour in the early days.

Firstly, industry has been told it must support agricultural development. The first venture into mechanisation was ill-fated and unpopular. The heavy two-wheeled or two-bladed ploughs were totally unsuited to Chinese conditions. They were merely copies of Soviet or other European models. They were too heavy for the individual farmer and there were too few farm animals to use them. But though half the 2.8m. double-bladed ploughs were left to rust more than two million water wheels and 110,000 seeders of various types played a considerable role, while water pumps led to an expansion of the irrigated area. Two million other implements such as sprayers and dusters were also used. At the national conference on water irrigation equipment and mechanisation of agriculture it was reported that the area of paddy fields and cultivated land irrigated by pumps had reached 87 million acres, and more than 30 million peasants and PLA soldiers had taken an active part in the campaign to build irrigation projects since the autumn harvest in 1957. The 500 people who attended this conference came from a wide field of activity, and included leaders of the National Economic Commission, the Ministries of Water Conservancy and Agriculture, the First Ministry of Machine-Building, and the All-China Federation of Supply and Marketing Co-operatives, engineers, technicians and research workers from ministries and relevant departments of the Government and heads of supply and marketing cooperatives in 22 provinces, two autonomous regions and the three municipalities directly under the Central Government.

The forum on production in mountainous regions, held by the Rural Work Department of the CCP Central Committee, agreed that "facing the mountain and marching up to it for overall development constitutes one of the most important measures to step up agricultural production. Vice-Chairman Chu Teh gave important instructions and Director Teng Tzu-hui of the CCP Rural Work Dept. made a summary. The wealth of the mountainous regions has not been exploited to the full hitherto. Yet the area is large and the natural resources abundant. It occupies some 80% of the continental land, and statistics of 21 provinces exclusive of Tibet, Sinkiang and Tsinghai show such areas occupy 62.4 per cent of the land total of these provinces. Yet this expanse produces only one-third of the grain. In addition, it has hosts of forests, tung trees, tea groves, fruit trees, timber, native produce and mineral deposits that await exploitation. These areas can help in no small measure to raise the living standards of the 200 million people who live in the hilly country. Especially must emphasis be laid on the afforestation of the mountains to prevent soil erosion.

The forum pointed out that quite a number of the mountainous regions are old revolutionary bases and that the people there had contributed toward the revolutionary cause. There had been improvements to some extent in these areas but the scars of war wounds remained and the people are still in poor circumstances. The overall development of mountain-production was thus pregnant of not only economic but also political significance.

The forum agreed on a general goal for development, to "turn the present economically and culturally backward mountainous areas into an economically and culturally advanced, prosperous and blissful socialist zone." For the attainment of this goal the guiding principle, missions and measures to be taken were discussed and recommended. The forum noted that the co-ordination and support of all departments of national economy would be necessary; the improvement of transport in the areas concerned; the despatch of technical personnel to make use of raw materials on the spot for the processing and handicraft industries; to arrange for the APCs to do the collecting and selling of products where the number of people is small; develop-

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where. Cadres are sent from the county headquarters to inspect the work. The target is 100 milion working days during the winter and spring and 800 million cubic metres of earthwork and stone work. Immense work has been done in repairing the Yangtze dykes and the 400-mile long main dyke on the Yangtze and 6,000-mile long dykes on other rivers have been generally rebuilt or repaired.

In the mountainous and hilly areas in all parts of the province, a total of 880,000 decrepit, old ponds have been restored, 240,000 new ponds constructed, more than 60,000 mow of terraced fields formed and 440 reservoirs of medium and small size formed. Thousands of ditches have been dug, and hundreds of fields walled in, while 120,000 wells—some lined with bricks and bamboo—have been sunk. These projects guarantee the main dyke on the Yangtze against being breached even when the river rises to the highest record of 1954. The total irrigated acreage is now 36 million mow. Of the 30m. mow of cultivated land north of the Huai River which used to be often waterlogged, 15m. mow is now free from inundation even after nine days of continuous rainfall. Water and soil conservancy work in the mountainous areas has also brought 2,500 square miles of land under control. Generally speaking, 50 per cent of the agricultural land of Anhwei is now "assured of a good harvest under ordinary flood or drought conditions," and on the rest of the land the effect may also be reduced. It is claimed that the past situation of "big calamity follows big rainfall and small calamity follows small rainfall and drought follows rainless days" is basically changed. It is added that many of the irrigation projects in the province in recent years are notable because of their low cost to the State, their large number and wide distribution, and the quick and great results obtained from them. "Basically they are all built by the masses themselves."

ment of cultural and educational and health enterprises; and the working out of an overall plan under unified leadership, with major dependence on the masses and consolidated co-operativization.

A great part of China's mountainous area was inaccessible before the liberation. Now a network of highways has been set up as well as caravan routes and with the exception of some of the remoter areas in south-west and north-west China, buses can now reach all counties. Telephone and telegraph lines connect all counties and districts in the mountainous areas. Grain output in these regions compared with 1936, the peak year before the liberation, showed a rise of 31 per cent. Water conservancy projects on these areas also helped to increase the output. The peasants have built over 10 million small scale reservoirs and other projects. This is in addition to the 15 large reservoirs built or under construction by the Government.

Twenty million people in northern Kiangsi, along the Huai River basin, will be benefitted by three major water conservancy projects just started there. The three projects will eliminate the menace of flood and waterlogging on 8 million acres of farmland. The first consists of a 130-mile canal from the Hungtsze Lake on the Huai to the sea at Lienyun Harbour. A sluice gate will also be built to control the flow along the canal. The canal will be the second man-made outlet to the sea, for the Huai River built since the liberation. The Huai is traditionally known as the river without a mouth, and pours its water into the Yangtze before reaching the coast. The project will ease the burden of the lower Huai in the high water seasons. The second project consists of the building of a new sluice gate side by side with a new shipping lock and the strengthening of dykes along the New Yi River. The third project is a sluice gate supplemented by a shipping lock along the Yen River, which is connected with the Huai. This will make it possible to divert the Huai waters to the sea, through the Yen River.

A NCNA report from Sian in mid-November said that 5,440 or so agricultural co-operatives in Shensi had in 1957 attained or surpassed the productivity of local well-to-do middle peasants. But that figure represented only 17 per cent of the whole. They varied between 30 per cent in some areas to a mere 10 per cent in others, especially in the mountainous regions.

Double-cropping in the Yangtze River basin materially helped China to raise her grain output by more than 30m. metric tons in the past five years, according to an NCNA report dated Peking, Dec. 22, made to the annual agricultural conference in Peking charting the second five year plan for agriculture. A delegate from Hsinhui county in the Pearl River Delta of South China described how farmers in his area had doubled their grain yields on land where double-cropping had been practised from time immemorial. Their method was extensive application of manure. Irrigation on a scale never known before in Hsiehyu county. Shansi, following a three-months drought, had brought in better cotton and food crops. The irrigated area increased from 3,000 acres to 65,000 acres. All cultivated land is to come under irrigation within another two years, as tens of thousands of peasants were engaged in building irrigation projects and applying new farming methods.

JAPAN'S EXPORTS IN 1957

Japanese exports in the January to October period last year totalled US$2,300 million, a gain of 15 per cent over the corresponding months of the previous year. Due to a number of favorable factors, exports have been rising steadily since 1954. But recent indications are that this growth may be leveling off. Contributing to the increase of exports have been such factors as the expansion in Japan's production scale, the bolstering of the nation's competitive power, the intensification of the publicity campaigns and the rise in international demand with the prosperity enjoyed in the background by the United States and European countries.

Despite this remarkable record, there are signs that the rate of export growth is falling off. According to statistics, the percentage of the increase in exports in 1955 and 1956 averaged a phenomenal 24 per cent. The rate dropped to 15 per cent this year, and as a matter of fact it was 10 per cent in the second quarter of last year. To what can this decline be attributed? Firstly, it is a fact that the rate of increase of Japanese exports in the past has been unusually large (the world's total rate of increase in exports from 1955-1956 was 10 per cent whereas it was estimated to be about 13.2 per cent from the January-October period of 1956 to the same period this year). Restrictions placed on the quantity of Japanese exports and the disinflational policy in advanced countries as well as worsening of foreign currency holdings in under-developed countries were also responsible for the decline. The opinion in trade circles holds that unless the tight money measures adopted last May do not bring about a determined export drive, there is little possibility of the present Japanese export situation improving in view of the worldwide foreign currency shortage, especially in Southeast Asia.

Export Markets: Viewed by markets, exports to almost all of them have generally increased except Argentina, Brazil, Indonesia, Hongkong and Pakistan which have registered a sharp decline as compared with the corresponding period of last year. Also, in terms of value, 14 countries bought more than $50 million worth as compared with only nine countries in the January to October period last year (excluding ICA purchases). Undoubtedly, the United States were the largest market of them all, showing an increase of $26 million, or 5.2 per cent, over the same term last year. This rate of gain, however, is extremely low when compared with the 31 per cent increase of last year over the preceding year. The unusually large growth in Japanese exports in the past, exceeding by far the expansion of America's total import value, the slowdown in U.S. production and investments in the latter half of this year and export adjustment measures adopted by Japan were responsible for the decline. Liberia was next to the United States, ranking as Japan's second largest market. The increase in Japanese exports to Liberia amounted to $83.6 million, or 56 per cent, over the same period last year. This was the largest gain of all because of increased orders for shipbuilding. Ships contracted for construction during the peak in the shipbuilding boom between the fall of 1954 and the spring of 1955 are being delivered to their owners this year.

British Colonies: Japan's third major market is the British colonies. Singapore, East and West Africa are Japan's best customers for textiles, exports to these areas are growing yearly. Japanese exports to the British colonies are smaller than last year since Ghana (Gold Coast) and Malaya became independent this year, but if these two countries were included, they add up to $21,200,000, increase by 13 per cent.

Exports to Hongkong have decreased in 1957 from the corresponding period of last year because re-exports to major destinations such as Indonesia and Thailand have

fallen off. Deterioration in Indonesia's foreign exchange situation and a rise in direct Japanese exports to Thailand are also responsible. Sales to India are higher than the same period last year despite the worsening foreign currency situation in that country. This is because most of the Japanese exports consisted of iron and steel and machinery for which the delivery terms are longer. Sales of consumption goods fared badly.

Exports to Britain in 1957 were greater than the preceding year because commodities (especially foodstuffs), scheduled for shipments last year, were exported this year as a result of the considerable delay in establishing the present commercial agreement. Japanese exports to Indonesia and Canada dropped as compared with the previous year owing to a deterioration in the foreign exchange situation as well as competition from Communist China in the case of the former country and high iron and steel prices in the case of the latter country.

Sales to Communist China increased somewhat with the value of exports being largest in January and February. They have lately declined. This is due to Communist China's reluctance to buy because of excess Japanese exports in the B and C categories.

As a result of greater competitive strength, Japanese exports of cotton cloth and staple fabrics to the **Philippines** have expanded greatly and captured the lead from American products. They have fallen off recently, however, because of an import ban placed on certain commodities in May this year.

Exports to **West Germany** rose sharply owing to greater liberalization of trade and expansion of its import scale. Demand for cotton cloth and staple fabrics was especially strong.

Unfavorable Markets: Argentina and Brazil were the two countries where the sharpest losses were registered. Exports to Argentina totalled $43,800,000 in 1956 January-October as against only $7,300,000 in 1957. This was because Japanese products were put on the same competitive level as European and American products as a result of the abolishment of the open account formula and also because there was less eagerness to export iron and steel owing to a rise in domestic demand. In the case of Brazil, Japanese exports amounted to $21 million as against $42 million last year as a result of a drop in iron and steel exports for similar reasons stated above.

Export Commodities: Export items in the January-October period shows that machinery recorded the biggest gain followed by textiles. On the other hand, exports of foodstuffs, beverages, metals and non-metal ores (ceramic products) decreased. The gains were centered around specific items. The increase in machinery exports consisted principally of vessels, which reached $330 million in value in 1957 as against $231 million in the January-October period last year. This accounted for the major increase in Japanese exports.

Among textiles, there has been an astounding growth in exports of cotton cloth, synthetic and wool fabrics. Based on cargo figures, cotton cloth shipments this year totalled 1,183 million yards as against 1,003 million yards last year (January-October) while staple fabrics exports reached 743 million yards compared with 540 million yards in the preceding year. The amazing gains registered were due naturally to the mounting competitive strength of Japanese products. It should be mentioned that exports of Japanese cotton cloth alone continue to grow despite a contraction in the world's total import scale. Japan also ranks first in the field of synthetic fabrics since the volume of exports by competing nations is extremely small. This trend is still continuing.

Other products which showed remarkable gains in 1957 were veneer, rubber products, chemical fertilizers, electrical communications equipment and optical equipment—all of which recorded an increase of over $10 million each.

Poor Export Items: Among items which did very poorly can be mentioned iron and steel materials, in particular, while other products that registered slight declines included lumber, chemical drugs, copper, aluminum, cement and bicycles.

Japanese Exports

(Unit: $1,000)

Statistical Classification	Jan.-Oct. 1956	Jan.-Oct. 1957	Rate of Increase
Customs	2,012,803	2,320,565	15.2%
Certification	2,004,910	2,372,912	18.3
Exchange	1,998,557	2,289,129	14.5
Receipt of LC's	1,815,578	2,078,290	14.4

Major Export Destinations

(Based on Exchange; Unit: $1 million)

Countries	Jan.-Oct. 1956	Jan.-Oct. 1957
United States	495.1	521.1
Liberia	142.7	226.3
British colonial territories	161.5	148.3
Hongkong	121.4	112.1
India	79.3	93.7
Britain	63.4	71.7
Thailand	40.2	64.8
Formosa	53.8	62.4
Communist China	47.2	56.6
Indonesia	67.0	55.5
Philippines	—	55.0
Canada	55.2	53.7
West Germany	28.6	53.1
Ryukyus	48.5	50.4
Burma	23.9	46.5
South Africa	30.2	44.2
Netherlands	25.2	34.4

Exports by Commodities

(Based on Exchange)

Items	Jan.-Oct. 1956	Jan.-Oct. 1957
Foods & Beverages	152.9	147.4
Textiles	684.4	806.5
Lumber & Lumber Products	95.8	110.0
Animal and vegetable products	37.4	51.9
Oils & fats	25.4	33.5
Chemical products	77.6	93.9
Metals	294.6	247.0
Non-metal ores	101.1	95.8
Machinery	413.5	559.6
Miscellaneous	115.8	143.6
Total	1,998.6	2,289.1

INVESTMENT INCENTIVES IN THE PHILIPPINES

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One of the aims of the Philippine economic development program is to foment incentives for investments which are most socially productive. In an expanding economy, the tendency would be for a substantial portion of investment to flow into less desirable channels, unless kept within bounds by appropriate measures. The approach in this discussion is the evaluation of fundamental policies adopted or proposed to be adopted toward diversification of the national economy in the light of contemporary economic conditions. The term investment of course includes foreign investment whether in the form of equity capital or foreign loans.

Stability—A Pre-condition To Sound Economic Growth

Any program of economic development in a free enterprise economy must reckon with the prices of the available goods and services. Investment decisions are based on calculations of price-cost relationships and where the economy is susceptible to serve price fluctuations, investors become reluctant to undertake substantial investments in the really worth-while projects which take time to mature. Conditions of price instability breed speculation. Under an inflationary situation, much of economic activity is dissipated in hoarding and bidding-up of prices of inventories and already existing forms of wealth. While entrepreneurial profits rise with prices, wages lag behind and workers suffer a reduction in real income. Sub-marginal and inefficient producers thrive under continued inflation, with considerable waste of resources.

Money is a link between the present and the future and that link is weakened when money is unstable. During periods of rising prices, people's confidence in the domestic currency is undermined. Consequently, savings activity is lessened. Commensurately, the ability of the economy to invest is reduced, for in a real sense, the economy will have available for investment only that portion of the national product which has not been consumed.

It is thus generally accepted that sound and balanced economic growth may only be achieved when there exists a fair degree of price stability. The economic resurgence of the countries of Western Europe is attributed in large measure to the general price stability during recent years.

Stable prices come about with the competent application of monetary, credit and fiscal measures. In the Philippines, as in other underdeveloped countries, the measures to be taken gain added significance in view of the substantial size of the economic development program aimed at reducing unemployment and improving living standards of the common people. It is generally agreed that underdeveloped countries are not in a position to achieve significant increases in production without the aid of foreign capital, the entry of which is predicated upon the feeling of security engendered by the continuance of economic and political stability in the country of investment. While the rate of development will of course basically depend on the amount of resources made available, balanced economic growth may only be achieved under conditions of stability. The keeping of inflationary pressures and recessionary influences within bounds will be left to the wise use of monetary, fiscal and credit policies. Since the close of World War II, the fight against inflation has been and continues to be the principal concern of practically all countries of the world. The threat of inflation exists and investment planning must always keep this problem in mind and be ready to head the danger signals.

The Present System of Controls

It is not difficult even for the layman to grasp how direct controls, i.e. quantitative restriction on the volume or value of imports into the country, could greatly develop incentives for investment in local industries. Diminution of the quantities of certain categories of imported finished goods creates deficiencies in the supply of such commodities, with consequent price increases which would make it worthwhile for entrepreneurs to engage in the local manufacture of similar products. A higher level of domestic investment could therefore be induced. The attainment of a higher level of domestic investment and production does not, however, follow as a matter of course, since

domestic industry, as in the case of the Philippines, must initially be provided with foreign exchange for the importation of machinery and equipment and sustained in its continuing requirements of raw materials which have to be imported. It may thus be readily seen how domestic industrialization depends on the capacity to import capital goods and necessary raw materials which in turn depends on the level of receipts from export products and the volume of foreign capital, whether by way of direct investments or in the form of loans, that is forthcoming.

Our system of comprehensive import controls, administered by the former Import Control Commission and now by the Central Bank through its power to regulate the use of foreign exchange, was adopted shortly after the institution of exchange controls by the Central Bank in December, 1949. The imposition of these direct controls was dictated by the immediate necessity of arresting further deterioration of our balance of payments position. The principle behind the control measures is a simple one—curtailment of imports of non-essentials and maintenance, if not augmentation, of highly essential imports like capital goods, prime necessities and essential raw materials.

Much criticism had earlier been leveled at the manner of allocating quotas and even at the basic philosophy of the control measures. With the recent release of new quotas and weeding out of fake importers as well as producers, a general feeling of confidence has been engendered among the business community, notably in the industrial sector.

There can be no serious dispute that import controls are necessary to shape the pattern of imports in a manner which would foster our economic development with the least sacrifice on the part of the large mass of consumers. The composition of our imports during the last few years has shifted from consumer goods to capital goods and raw materials. No underdeveloped country could undertake a development program which would utilize idle manpower and dormant natural resources without generating inflationary pressures which expand demand for imported consumer goods. While money incomes increase as a result of the expenditures for the development projects, consumer demand for imports becomes intensified, and hence, the propriety of exacting sacrifices in the form of restrictions on imports of luxuries and less essential items. The necessity for import controls in underdeveloped areas undertaking economic development programs is recognized by competent economists. The consensus is that provided a country has a worthwhile development program in physical terms, and after allowance has been made for the more pressing needs of the common people and the requirements of the development program, there should not be too much concern over the elimination of less essential items from the imports of the country.

Gradual Decontrol

As pointed out above, the continuation of direct control measures is necessary in view of the expansionist effect of our current development spending. This situation will only be temporary and it is expected that import controls may be progressively lifted in the foreseeable future. As the industrial projects included in the development program mature and more goods are produced locally in substitution for articles previously imported, it will be possible to decontrol a substantial portion of imports, especially highly essential consumer items. In order to give protection to domestic manufacturing industries, there would be need to impose, as import controls are lifted, protective tariffs on goods in competition with domestic manufactures. Tariff duties would also be useful, as an indirect control measure, in limiting the volume of importation of a wide variety of consumer articles. As soon as circumstances permit, the use of the tariff is to be preferred over import controls for the following reasons:

(1) Domestic producers will be assured of a reasonable margin of profit to permit them to expand domestic production and to provide employment; (2) The commodities will be reaching ultimate consumers at reasonable prices in view of the competition between imported goods and those of local production; and (3) The inordinate profits being reaped by holders of import licenses will be eliminated while at the same time the Government will acquire a non-inflationary source of additional revenue.

The beneficial effects of a gradual lifting of trade controls have been demonstrated in the experience of countries in Western Europe during the last few years. Under the convention in 1948 of the Organization for European Economic Cooperation, the member countries agreed to progressively reduce quantitative restrictions on trade among themselves. As a result of mutual cooperation to achieve the objective, the great bulk of intra-European trade is no longer subject to quantitative restrictions. By October, 1955, controls on intra-European imports had been lifted up to 86 per cent. It should be stressed, however, that most of the European countries concerned have already achieved full employment or near full employment and that the balance of payments of many of these countries has already moved closer to equilibrium. Some of them, notably West Germany, the Netherlands and Belgium, had a favorable balance of payments position in 1955. Even under this situation, virtually all of the countries of Western Europe still maintain a measure of direct control of non-essential and luxury items from the dollar area.

In the case of the Philippines, while the present regime of quantitative restrictions should only be transitory, caution has to be exercised in the lifting of controls. Since our exports consist primarily of agricultural commodities, the world prices of which are subject to considerable fluctuations, our foreign exchange receipts are also subject to variations from year to year. The experience of Latin America reveals that increased capital formation had depended largely on improvement in the terms of trade, which is the main determinant of the capacity to import, in particular, the capital equipment indispensable to increased production. It is essential that our balance of payments situation be closely examined before any decontrol is effected on large segments of our import trade. Even if controls shall have been lifted on the greater portion of our imports, it would still be advisable to maintain the control machinery intact in order to facilitate the tightening of controls on imports should any serious repercussion occur in our balance of payments position.

Tax Exemption of New and Necessary Industries

The most significant tax measure from the standpoint of incentives to local investment was that formerly embodied in Republic Act No. 35, as amended by Republic Act No. 901, granting tax exemptions to new and necessary industries. Measures of this nature have worked well in countries like Puerto Rico, for example, where trade agreements prevent the imposition of protective tariffs on mass-produced articles of a highly industrialized exporting country. Republic Act No. 35, granting exemption from all internal revenue taxes in favor of "new" and "necessary" industries, was enacted on September 30, 1946. It is noteworthy that although the benefits of the law were already available since the latter part of 1946, only 39 firms were granted exemption since then up to the end of 1949. From the beginning of 1950 to the end of 1952, 165 industrial firms were organized and granted exemption. Although drastic import and exchange controls were imposed for the first time in December, 1949, there appears to be a basis for the conclusion that under postwar Philippine conditions, the incentives offered under the tax exemption statute alone were not sufficient to induce the desired volume of investment in new and necessary industries

and that it took import controls coupled with tax exemptions to really stimulate investment in such industries. Intelligent entrepreneurs, of course, know that import controls are essentially temporary measures to tide the economy over a period of balance of payments difficulties. They will, therefore, not invest any considerable amount of capital in basic new industries merely on account of the fact that, owing to the controls, shortages exist in imported commodities. They would be willing to put their capital in long-run investments only if they are assured that those who formulate national economic policy have a well-conceived and workable program for aiding, protecting, and sustaining local industries against the formidable competition of mass-produced imported commodities. This aid and protection of local industry is a vital aspect of the economic development program since the early postwar years.

Government investment totalling P200 million in power development and other self-liquidating projects spearheaded the mobilization of the productive resources of the country shortly after the close of World War II. In addition, the tax exemptions offered by Republic Act No. 35 provided entrepreneurs with tangible evidence of the Government's policy to help, at least in their early stages of operation, deserving new industries. The imposition of the 17 per cent tax on foreign exchange early in 1951 offered further proof of the Government's desire to protect the local products as against the imported articles. With the conclusion of the Laurel-Langley Agreement, this tax was replaced by a 17 per cent special excise tax on imports, which rate will be gradually diminished as tariff duties on United States' articles are increased during the 28-year period covered by the Agreement.

On June 20, 1953, Republic Act No. 35 was superseded by Republic Act No. 901 which provides for full tax exemption, inclusive of customs duties, until December 31, 1958, and diminishing exemption from then on until December 31, 1962, in favor of industries determined to be new and necessary. Firms granted tax exemption under the old law will enjoy extended periods of exemption such that the total exemption will be for ten years. In addition, the policy adopted by the Central Bank in the allocation of dollar quotas has consistently been to reduce importations of finished goods as locally-manufactured substitutes become available.

The above-mentioned series of protective measures taken by the government has firmly convinced private capital—domestic and foreign—that the Government is ready to fully utilize its power and resources to insure the success of the industrialization program. That this is so is easily shown by the fact that as of today more than 300 factories of appreciable size granted the benefits of tax exemption are actively in the production of a wide variety of commodities heretofore imported, including plastics, pulp and paper, veneer and plywood, caustic soda, acids and other chemicals, steel products, knitted fabrics, electronic equipment, refrigerators, leather fluorescent lamps, pianos, poultry and animal feeds, canned foods, and many others

It may therefore be safely asserted that the tax exemption granted to new and necessary industries has been fairly successful in stimulating the development of local industries. Even industries regarded at the beginning as not quite deserving of tax exemption are now showing promise of substantial contribution to the economy. As an example, the progress made in the textile industry may be cited. In 1950 and 1951, tax exemptions were granted to several knitting firms utilizing imported cotton yarn in the manufacture of knitted fabrics. The ratio of the cost of the imported yarn to total manufacturing cost is high (between 75 and 85 per cent on the average) and in view of this fact, it was believed that the contribution to the economy was not commensurate with the loss in revenue on account of the tax exemption. This, of course, was true in the very short run; however, while the knitting firms have greatly enhanced their profits as a result of tax exemption, their establishment has generated a continuing demand for cotton yarn. With the profits accumulated, some of these firms were placed in a position to establish spinning mills to manufacture yarn out of raw cotton, instead of importing the cotton yarn. As of now, there are already a number of firms granted tax exemption engaged in the spinning of raw cotton into yarn. More than this, the growing of cotton has been attracting serious attention, particularly in Mindanao where large development projects are planned. While firms granted tax exemption in respect to ramie are at present merely decorticating the fiber and shipping the same for further processing abroad, it is hoped that in the near future local entrepreneurs will engage in the spinning and weaving of this fiber. Thus, in the textile industry, we are definitely moving forward to full industrialization and self-sufficiency.

It has truly been said that no country has achieved success in its industrialization without making sacrifices. Our sacrifices have not been in vain and we should be prepared to use every economic weapon to insure the survival of these new industries in which many millions of dollars in machinery and equipment are tied up and which now turn out about one-fourth billion pesos of manufactured goods annually.

Other Tax Proposals

As a means of providing added inducement to new industries and expansion of already existing industries, the incorporation in our income tax law of liberal provisions governing depreciation of industrial assets may prove effective. A good example of incentives of this nature is to allow the tax-payer to deduct higher depreciation charges during the first few years of the life of the asset, resulting in less income tax payable during the initial years of the investment. While other tax incentives, like adoption of operating loss "carry-over" or "carry-back" provisions, may be valid on principle, they are believed not yet advisable in the light of the present status of tax administration in this country.

Recently, a proposal has been put forward to exempt capital gains from the Philippine income tax following the example in England and other British Commonwealth countries. The tax on capital gains is essentially a tax on profits from speculation, like transactions in real estate or in shares of stock which in themselves add nothing to the gross national product. In a country like the Philippines where a large portion of investment goes to land which is "locked-up in huge holdings," the proposal is of very dubious validity, to say the least.

Subsidies

The first law granting direct subsidy to a domestic industry is Republic Act No. 1164, approved on June 18, 1954, granting assistance to gold producers in the Philippines for a period of two years, amounting to P35.40 per ounce of gold produced and sold to the Central Bank by over-marginal mines and P41.72 in the case of marginal mines. The subsidy appears justified on the ground that the price of gold, and therefore, the price at which the Central Bank may purchase this commodity, is pegged by international agreement at $35 or P70 per ounce. With the enactment and implementation of the Minimum Wage Law, it was found, from verification of accounting records of the gold mining companies, that the cost of production per ounce of gold had risen sufficiently to threaten closure of many of the companies actually in production during 1954 if no assistance would be forthcoming. Since the enactment of Republic Act No. 1164, the cost of materials and supplies had also risen considerably. It was, therefore, necessary to continue the period of assistance which should have expired last June 18, 1956, and

this was done under Republic Act No. 1522, extending the period of assistance to June 18, 1957.

Another example of a law which comes in the nature of assistance or subsidy is that which compels the ACCFA to purchase, at prices fixed in the statute, locally-grown Virginia type tobacco to be used in the manufacture of cigarettes, and to allocate such tobacco among manufacturers of cigarettes. The price support for rice proposed in certain circles in the country would also have the Government interfere with the free play of market forces. In the case of the assistance to the local tobacco industry, it has been learned that the price support has encouraged the production of a considerable amount of inferior tobacco leaf, with the result that the ACCFA is encountering problems relative to its disposal.

It is our belief that subsidies or price supports for certain classes of commodities would open the way for other groups to clamor for similar treatment and should not, therefore, be favorably entertained. Exception may be taken in cases where, due to floods, typhoons or other emergencies, a particular industry needs financial assistance for its resurrection; or in the case of the gold mining industry, since the price of gold is fixed by international agreement which this country must honor. In this connection, it may be of interest to cite experiences in other countries which have price supports for certain commodities.

In Turkey, 50 per cent of all industries is owned by the Government through two instrumentalities which borrow extensively from the Central Bank. The Government, under a farm subsidy scheme, supports the price of domestic grain and wheat at a level considerably higher than the price prevailing in the world market. To finance its price-support program, the Government had to borrow continuously large amounts from the Central Bank. In addition, it was learned that, for political reasons, practically no taxes are collected from the farmers. These conditions highlight the factors in the evolution of the inflationary process in Turkey and point to the necessity of exercising caution on the part of governments in the use of subsidies to encourage domestic production. In Greece, the Government grants substantial aid to farmers by purchasing certain food products, like wheat, at guaranteed prices. This operation is done through the Banque Agricole which buys, stores, and sells the commodities. Towards the beginning of 1956, the cost of living in Greece had been increasing by about 1 per cent per month.

Devaluation and Other Currency Practices

Devaluation is a corrective measure resorted to by countries faced with severe balance of payments difficulties arising from an underlying situation in which domestic prices of goods and services are way out of line, on the basis of the existing parity for the domestic currency, with foreign prices of comparable goods and services. The purpose of devaluation is to eliminate, by one bold stroke, the factors that prevent the correction of the "fundamental disequilibrium" in the trade and payments position of a country, by enabling its exporters to quote lower prices (in foreign currencies) for their products, and hence increasing export volume and receipts; and by making its imports more expensive in terms of the domestic currency, and hence, reducing import volume and payments for imports. However, while devaluation may increase export volume, it does not follow that devaluation will increase export receipts. In a case where the demand for a country's exports is more or less inelastic, the volume of exports may not increase sufficiently to make up for the diminution in foreign exchange receipts from exports due to the reduction in price.

In this connection, even without an increase in export volume, exporters would be reaping profits depending upon the extent of devaluation, since they would be receiving more in terms of domestic currency while their costs will, for a limited period at least, remain at the same level as prior to devaluation.

On the import side, if the imports of a country are more or less inelastic, devaluation of the domestic currency will not lead to any appreciable decrease in import volume and hence, foreign exchange savings would be negligible. Depending, therefore, mainly on the relative elasticities of the demand for the particular commodities comprising a country's exports and imports, devaluation may or may not improve a country's balance of payments position.

While devaluation will reduce import volume by making imported commodities more expensive, it should be stressed that the higher prices will apply to all imports, whether they be capital goods, raw materials, or consumable commodities of prime necessity in the daily life of the common people. The domestic producer will find his production schedule disrupted because the cost of the imported component of his product has risen, and the ordinary consumer will have to forego many necessities priced beyond his reach. Such a situation would be undesirable and unnecessary.

Even in cases where devaluation would be proper due to a fundamental disequilibrium in the balance of payments arising from large disparities between internal and external prices, the salutary effects of devaluation will gradually wear off unless the control authorities are able to hold the domestic price level indefinitely or long enough to permit the desired adjustments in the economy to take place. In several countries of Latin America, which had resorted to devaluation, it has been shown that before long, due in large measure to the pressure for higher wages to keep up with higher living costs as a result of increased prices of imported products, the wage scale and the level of domestic prices had risen to such an extent as to neutralize the previous differential brought about by the devaluation.

Looking at the export products of the Philippines, we find that the bulk of our exports consists of the following major products: copra, sugar, hemp, logs and timber. Statistics for the last few years will reveal that, by and large, our major exports have been holding their own in the world market. The following considerations indicate that devaluation is not a proper course to take in the case of the Philippines:

1. A condition of "fundamental disequilibrium" in the economy does not exist. The domestic price level has more or less stabilized from 1949 to 1955 except for an upswing in 1951 owing to the effects of the Korean War boom. The wholesale price index for domestic products stood at 85.3 in December, 1955 with 1949 as base; while that of imported essential commodities stood at 105.1. By and large, our major exports are in a competitive position in the world market. Sore spots in our export industries are to be isolated and specific measures applied to meet the problems. In contrast with the currencies of many underdeveloped countries, the Philippine peso has been relatively stable externally as well as internally.

2. Devaluation will contract the volume of all categories of imports. But our goal is to effectuate reductions in non-essentials according to established priorities, and to maintain or augment importations of highly essential items. This selective process is achieved through import controls or by means of customs duties and excises on imported goods.

3. Our balance of payments difficulties are mainly attributable to the fact that the great portion of exchange requirements for capital goods is being met from current exports receipts, without severely curtailing imports of consumer goods especially those needed by the common people. As in any country undertaking a development program, these difficulties will be reduced by the flow of capital from foreign borrowing and foreign private investment. In addition, with the conclusion and implementation

of the reparations agreement with Japan, a substantial stream of capital goods will flow into the economy without expenditure of foreign exchange. This will considerably relieve the pressure on our international reserves.

4. There is always the fear that a devaluation will lead yet to another devaluation. This fear will be manifested in the form of capital flight which may be done in various ways even under a regime of exchange controls, and also in the form of reluctance of capital from abroad to enter domestic fields of investment.

5. Inflation usually follows devaluation and the initial gains may be dissipated in domestic price increases before any real improvement in the balance of payments situation has been realized.

Multiple Exchange Rates and Other Practices

It is perhaps because of the above considerations that no one is now seriously advocating outright devaluation of the peso. As an alternative to devaluation, the establishment of multiple exchange rates has been advocated. It is, therefore, pertinent to describe briefly the essence of such measures and mention the experience of other countries in this regard.

A system of multiple exchange rates is premised on the maintenance of exchange controls wherein foreign exchange receipts accrue to the monetary authority or the Central Bank of the country and then disposed of under such terms and conditions as may be fixed by the control authorities. All foreign exchange receipts are surrendered to the Central Bank at a rate of conversion generally lower than the free market or black-market rate. The foreign exchange is then allocated among various categories of imports and sold to the prospective importers who pay therefor in domestic currency at varying rates of exchange.

The scheme may also provide for a classification of exports. The proceeds of a given class of exports are made available to the exporters in domestic currency at a certain rate of exchange, while the proceeds of other classes of exports are converted at different rates.

A system of multiple exchange rates makes certain classes of imports more expensive than other classes; and may also make exportation of certain products more profitable than others. The system can therefore affect the pattern of imports as well as exports so as to be in line with a determined policy.

However, since the various rates of exchange as well as the commodity classifications are inherently susceptible to changes and manipulations by the control authorities, the business and industrial community are left continually in doubt as to their real position in the economic program. Consequently, it becomes difficult if not impossible for them to formulate any long-range plan. This situation constitutes an impediment to long-term investments by private industry and negates the advantages to be derived from stable money and prices. It is perhaps unnecessary to mention that under a multiple currency system there is more avenue for undue pressures to be exerted in favor of those groups wielding stronger bargaining power.

A dollar retention scheme, under which exporters of certain commodities would be allowed to retain a certain portion of export proceeds, would have much the same effect as a system of multiple exchange rates in that certain sectors or groups would be favored. If the retention privilege is made available to all exporters, then it would be conferring benefits not granted to producers of commodities for home consumption, and would place consumers in general at a disadvantage. The foreign exchange allowed to be retained would generally be used in the purchase abroad and importation into the country of less essential consumer or luxury items which would enable the exporters and/or their assignees to reap handsome profits. Since the foreign exchange released to such exporters could have been better used in the importation of necessities and essential producers' goods, the interest of the economy in general is sacrificed.

UNIVERSITY OF MALAYA IN SINGAPORE AND KUALA LUMPUR

By Professor A. Oppenheim

(Vice Chancellor of the University of Malaya)

Some of us have felt for many years that University education in Malaya, in which I include Singapore, should be much more widespread than it is. We had felt that University education in Singapore alone is not enough, but there should be University centres in Kuala Lumpur, possibly also in Penang. These points of view were placed before the Carr-Saunders Commission of 1947, but that commission ruled in favour of a University of Malaya to be situated across the Causeway in a large estate just outside Johore Bahru, and they suggested that the University should be transferred from Singapore to this estate outside Johore Bahru.

Unhappily, many difficulties arose, in the first place, the problems associated with the founding of the University itself in October, 1949. We had to fuse together the two colleges—Raffles College, on the one hand of arts and science, and the King Edward VII College of Medicine, on the other, which dealt also with dentistry and pharmacy—into a unit. This unit comprised 645 students.

The Carr-Saunders Commission felt that the University would expand into a thousand students by 1958, and possibly, to 2,000 by 1972. In actual fact, the expansion on this side in Singapore has been so rapid that it has not been possible for the University to tackle the multifarious problems involved. In point of fact, we reached a thousand students sometime ago; we shall reach two thousand students in 1959.

As a consequence of that, it was not possible to proceed with the plans for transferring the University to the site across the Causeway, for so much expansion had to take place in Singapore itself, both at Raffles College site in Cluny Road and the site of the old College of Medicine in the grounds of the General Hospital. So much expansion had to take place there that, inevitably, we were committed to a large-scale University in Singapore.

However, many of us in the University never lost sight of the fact that University education had to take place in the Federation as well as in Singapore. There is another argument in favour of two University centres—a very simple and very good argument. The population of Malaya with Singapore is approximately 7 million. If we assume merely that one person per thousand goes to University, that gives us a potential Uni-

versity population of 7,000. Let me note in passing that in Britain one person in five hundred goes to a University, and in the United States, the proportion is even better than that.

But let me return to the figure of 7,000. Already there is enough potential among University students to have two Universities. It is unwise to think only in terms of one University for a country of the population of Malaya and Singapore. Once we accept that argument (that there should be two universities) we are faced immediately with the possibility, and the prospect, of having University education in the Federation as well as in Singapore, and where better could it be than in or near Kuala Lumpur, the capital of the Federation. These arguments were accepted about 1954 by various committees of the University and of government.

The option was that it was agreed that we should start University teaching in 1957 in or near Kuala Lumpur. That was a tentative agreement. Unhappily, delays have occurred which made that desire to start in October 1957 almost impossible to accomplish. It is not an easy thing to start a University centre. One requires staff, buildings, books, equipment. At the same time it had to face very difficult problems for the expansion in the University site in Singapore itself. In addition, there has been another complication. The University year is not in line with the school year in Malaya. The University year runs from October, (or did run from October) until June; the school year runs approximately from January to December in the calendar year, and that means this: students who take examinations in December must wait until the following October before they enter the University of Malaya. That is a long delay—a very serious delay—and, in consequence, it was agreed after much discussion last year that the University, over three or four years, would bring its own academic year into line with the calendar year, and thereby achieve harmony with the schools.

This has meant a great deal of dislocation in the University teaching year, and it has only been possible to bring about the change because of the harmonious co-operation of the staff of the University. The result then is this, after agreement with the government: we shall not admit a first year of students in the session of 1958 to 1959—that is connected with other problems concerning the Higher School Certificate and General Entrance of the University. We shall, however, start the calendar year in 1959, the academic year beginning in April, with a first year of students.

Now, back to our problem—the problem of starting to teach in Kuala Lumpur in 1957. Owing to the changes which had to take place in the University year, it was felt appropriate for that and other reasons to modify the original plan and to start University teaching in 1958 in Kuala Lumpur. Then with the change in the University year, it was felt better to postpone start until the beginning of 1959.

Here I should like to stress the great problems of expansion which have faced the University since its inception. They began in 1949 with 645 students. We are now in 1956-57 with a student population of nearly sixteen hundred; we shall reach 2,000 by 1959—a number which we were not expected to reach until 1957. The University of Malaya is a dynamic institution, not a static one, and dynamic institutions have to face many problems.

This young University within a short space of time, just a few years, has faced more problems than many older Universities had had to face in a century of existence. We wanted to postpone that start until 1959, but then, recently, very important changes are taking place in the political structure of Malaya and of Singapore, and in the University we felt that we wanted to show practically what many of us have thought for a long time that our University of Malaya is the University of Malaya, and we wanted, therefore, to start University teaching in Kuala Lumpur too. By a stroke of good luck space is available at the Technical College in Kuala Lumpur—space for 200 students.

It needs a bold decision to say, therefore, we would start teaching in Kuala Lumpur in September this year with these facilities and with certain other facilities to be provided by the Federation Government. We shall have some problems about transfer of staff, we shall have problems about getting additional staff. Further, we can't do all the teaching we want there because we haven't got sufficient finance for the purpose, and we can't start science teaching or engineering because we haven't got the equipment. The simplest solution appears to be the bold and drastic one of having the whole of the first year of the Faculty of Arts transferred for 1957 and 1958 to the Federation in the premises provided by the Technical College with certain additions also provided by the government. In this way we shall then demonstrate that the University of Malaya is the University of Malaya both in Singapore and in Kuala Lumpur. We shall have a nucleus in Kuala Lumpur next year. The students there and the staff are pioneers of University education in the Federation. From the seeds started in September 1957 we shall, I feel convinced, see springing up within the next few years not merely a University College but also a University of Malaya in Petaling Jaya.

MACAO AND THE BRITISH

By the late Bro. Cassian, F.S.C.

Anglo-Portuguese relations go back to the very foundation of the Kingdom for it was by means of an expeditionary corps which was part of reinforcements being sent to Palestine during the 2nd Crusade that Lisbon was wrested from the Moors in 1147. The Treaty of Windsor of 9th May 1386 is well known; in most emphatic terms, such as lawyers alone know to align them, the two countries pledged perpetual peace and friendship. Less than a year after this treaty, the King of Portugal was married to Philippa, the daughter of John of Gaunt; Prince Henry the Navigator, the Founder of the Science of Navigation, was one of the Children born of this marriage.

Almost on his return from the victorious Ceuta expedition in 1415, Prince Henry condemned himself to live the life of recluse at Sagres in the South of Portugal. There, patiently and enthusiastically, he solved the problems which hitherto had prevented ships from travelling on the trackless wastes of the ocean by night as well as by day. Henry the Navigator was the Grand-Master of the Order of Christ, the successor in Portugal of the great Order of the Temple, and it was under the flag of that order that all his expeditions sailed. Thus did the Portuguese Empire come into existence and Portuguese ships were to be found on all the seas of the world. Portuguese was the "lingue geral", the universal language, heard on all the shores of Asia.

The heroic country unfortunately was not large enough to sustain this tremendous effort which drained it of its man-power: the XVIth century saw the population of Por-

tugal fall substantially. But whatever the lot of the once mighty empire, Macao has to this day remained a living witness of a glorious past: for nearly three centuries she was the main, indeed practically the only focus of European intercourse with China; it certainly was the only port at which the Westerners could trade. Conscious of her long history, yet dressed in admirable modesty, Macao shows the visitor a face radiating in pure light and never fails to win him with her haunting Gioconda smile.

All evidence points to the fact that the Chinese merchants in South China were delighted with the idea of having the Portuguese establish themselves on that rocky promontory of Macao which meant nothing to them. The mandarins were equally delighted, since by suppressing piracy the foreigners were their valuable auxiliaries in maintaining order. But the same mandarins did not for all that give the Portuguese perfect freedom to organise their settlement as they liked; later on they even tried to make them pay dearer and dearer for the use of Macao. This fact must be constantly borne in mind when judging the attitude of the Portuguese and the Macao authorities, towards other nationals.

The relations of Britain with Macao were far more important than it is commonly believed just because Macao was the only spot in China where Europeans were allowed to settle without being molested: they have been cursorily brought out in a scholarly essay of the learned Director of the History Section of the Portuguese Institute, Mr. J. M. Braga. It was by way of Macao, in 1627, conformably with the custom then well established, that the Director of the British East India Company decided to open up trade with Canton. Things of course did not always run as smoothly as desired and cases had now and then to be referred to Lisbon. Macao had been founded in 1557, but the political status of the Settlement was not clearly defined and the Mandarins were watching the Portuguese very closely to see that no foreigner purchased any land in Macao. The difficulty was overcome in the case of the British by allowing Portuguese gentlemen to rent out their houses to them.

During his stay in Macao the noble Earl Macartney, British Ambassador to China in 1793, resided at the Pereira residence, the "Casa House" as the English of those days quaintly called it. This mode of procedure was always accepted in Canton, where the 13 warehouses or factories as they were called, were owned by the Co-Hong or Committee of Chinese merchants and rented out to the foreigners who had permission to fly their flags during the business periods. At the turn of the monsoon in April all foreigners were expected to leave Canton, when the foreign ships left Whampoa twelve miles from Canton. The foreign merchants usually went back to their families in Macao. This practice can be traced back to 1779.

One of the six requests of Lord Macartney to the aged Emperor Ch'ien Long in 1793 was the abolition of transit dues between Macao and Canton. The Macartney mission was not successful, neither was Lord Amherst's, some 20 years after. One of the interpreters in Amherst's ill-starred embassy was Robert Morrison, of whom more after.

The British Missionaries

Not far from the Camoens Park, in one of the most secluded spots in Macao, is the English church surrounded by the old Protestant cemetery. Here were laid to rest in 1821 the mortal remains of Mary Morrison, the wife of Robert Morrison, the first Protestant Missionary to come to China. Born in Northumberland in 1782, Morrison, after a protracted journey via America arrived in Macao in 1807, and at Canton he studied Chinese for two years under two Roman Catholics. As Latourette remarks, it was fortunate that Morrison was of a studious disposition, for he laid the foundation for more direct evangelical work by providing Christian literature in the Chinese language. In 1819 he had completed the translation of the Bible and other books: for instance A Sketch of Chinese Chronology, Government, Religion and Custom was printed in Macao in 1817, by the care of the Honourable East India Company.

The East India Company seems to have frowned on this translation work and we are told that Morrison was dismissed in 1815 for publishing by stealth some parts of the Bible. He, however, re-joined the Hon. Company afterwards and belonged to it until his death in 1834. He was buried by the side of his wife.

The work of the London Missionary Society in China had a very humble beginning: by 1832, after 25 years existence, only 10 Chinese had been baptised, and the bad conditions of living had taken a heavy toll of the Missionaries in sickness and death.

Two names loom very large among the Protestant Medical Missionaries: Dr. Alex Pearson and Dr. Thomas Colledge. Dr. Pearson appears in 1812 on the rolls of the East India Co. as surgeon with a salary of £1200 a year. He is mainly connected with the spreading of vaccination in China. It would seem that Jennerian vaccination had been practised in Macao by the Portuguese, previous even to 1805, the vaccine being obtained from Manila. Dr. Pearson paid some Chinese of the poorer class to submit to innoculation, and he employed Chinese assistants recruited from among the employees of the Company. From Macao, vaccination spread but only little to all China, for popular prejudices and official inertia had to be overcome. Pearson left China in 1832. The Report of the Medical Missionary Society of 1843 published in Macao expressed the hopes that his name "will ever be associated with those who proved benefactors to mankind."

Thomas Richardson Colledge joined the East India Co. as asst. surgeon in 1826 after having been a ship doctor for 7 years; in 1827 he began medical work for the Chinese in Macao. Almost from the beginning he devoted much attention to diseases of the eye, and for five years, with various helpers, he conducted an ophthalmic hospital in Macao. In the long report he addressed to Lord Napier in 1834 concerning the advisability of developing the medical services of the Hon. Company, to make them available to British subjects in China, Dr. Colledge emphasized the importance of strengthening the medical establishments of Macao and Lintin. He stressed the point that while conducting his hospital at Macao "he never had experienced any interference from either the Portuguese or the Chinese Government." This would indicate that the Portuguese and the Chinese were at that time living in good harmony in Macao. In the course of centuries, the venerable Lusitanian city acquired a unique science of the subtle accommodation that necessarily must govern all relations with "Eternal" China, since our ideologies are so completely different from hers.

It was Dr. Colledge again who was chiefly instrumental in the foundation at Macao of the British Seamen's Hospital Society in China: one of the rules of this Society was that any Chinese indigent persons, soliciting aid should be relieved gratis, as far as the funds of the establishment allowed. Up till 1832 over 2000 indigent Chinese had been treated of various diseases.

Long before this, however, good work had been done in that direction by both Rev. Morrison and Dr. John Livingstone. Before 1805 except for patients treated by the Portuguese we find hardly any mention of Chinese patients

being treated by Western medical men. Dr. John Livingstone seems to have been the first British doctor to bring the benefits of modern healing methods to the Chinese. Profound distrust kept the two communities aloof from each other. Rightly did Dr. Livingstone think that here was a way of bringing to the Chinese a practical if not so dogmatic a form of the Christian Gospel. In this he was following in the footsteps of Luis de Almeida in Nagasaki and the Jesuits at Macao and Peking. Another remarkable fact about Dr. Livingstone is that together with Dr. Pearson he worked in full collaboration with the Chinese herbalists. Doctor Livingstone died at sea in 1829, when on his way back to China

Can it not be said that in the medical, as well as in other lines, Macao was a normal school for China? Young dressers trained in Macao rendered most valuable service in all parts of the Empire. Very much later, on 23rd July 1892, the Hongkong College of Medicine gave their diplomas to its first two graduates one of whom was Dr. Sun Yat Sen; he then proceeded to Macao and persuaded the governor of the hospital to give over one wing of the Chinese Kiang Wu Hospital to the Western practitioners. Dr. Cantile occasionally came over from Hongkong to assist his young pupil, for whom he had the greatest admiration.

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One of the most venerable spots in Macao is the grotto and monument dedicated to the memory of Portugal's national poet. And still, however strange this may appear, we have no certain proof that the Portuguese Bard Luis de Camoens ever lived in Macao, still less that he passed long hours lost in contemplation at the spot now definitely connected with his name. But who would dare challenge such a deeply-established and now fondly cherished tradition? The owner of the Park, or rather his son-in-law, comendador Lourenco Marques kept for many years an album in which the distinguished visitors wrote their names. Some did more: they recorded their appreciation and translated their emotions in verse. This is not to be wondered at, for what subject can be more worthy of admiration than the heroic feat of a nation of only two million people, soon after greatly reduced still by the Plague, setting out in frail ships from the end of the Earth, and going forth "To hold the gorgeous East in fee"?

Ki-Ying, the great Viceroy of Canton, did not think he was demeaning himself when he performed before the Poet's monument the obeisance prescribed for China's Teacher, Confucius; and nothing perhaps show better the admiration which the British had for Macao and the veneration they felt for the Portuguese inspired troubadour, than the verses left us by two future Governors of Hongkong: Sir John Davis who was Governor of Hongkong from May 1844 to March 1848, and Sir John Bowring, Governor of Hongkong from April 1854 to May 1858.

We would know much less of life in Macao and the Far East during the first half of the 19th century but for the painting and drawings of the Irish exile, George Chinnery, who made Macao his home and there lived for over 25 years, until his death in 1852. One of Chinnery's best known pictures shows the Rev. Robert Morrison at his translation work with two of his Chinese disciples. Another represents a very pathetic scene which must have been of frequent occurrence during Dr. Colledge's stay in Macao: a woman, blind with cataract, has been operated on successfully and is about to leave Macao: her son is seen kneeling in front of the good doctor and presenting him with a letter in which the woman expresses her gratitude. The doctor having completed a last examination is giving instructions to his assistant, probably concerning a lotion to be prepared. To the left is a man who has also been operated on for a cataract.

Macao and the foundation of Hongkong

We now come to the eventful year 1839. Whatever hopes Commissioner Lin had of being able to play the Portuguese against the British they did not materialise. Although the British officials and merchants had to leave Macao, most of the women and children and practically all their property remained in Macao under the protection of the Portuguese. The Hongkong Government Gazette even continued to be printed in Macao well into 1842.

Time again was a great healer; when Sir George Bonham was Governor of Hongkong (1848-54), Anglo-Portuguese relations were as friendly as ever. It is true that Sir George had a rare talent for smoothing over all difficulties by his good grace and affabilities.

And yet the position of Macao now altered fundamentably: quite suited to small ships drawing but a few feet of water, Macao was fast becoming useless as a port of call. The industrial Revolution, a British achievement, was rapidly changing the face of the earth, so that in the hands of the Nation which since Trafalgar was the unchallenged mistress of the oceans, Hongkong easily drew to herself the business which traditionally should have been going to Macao. She even drew in, with great advantage to herself, a large percentage of the Portuguese population of the venerable City. In 1900 Macao had fallen into a complete marasmus.

But a great trial was in store for Hongkong and Macao: a devastating cataclysm which was to bring them together more than ever before. The Japanese aggression of 1937 caused a very large number of Chinese refugees to pour into the two Southern Settlements. The task of the Portuguese administration was indeed formidable when the whole of the Far East became involved in the universal conflagration. Hongkong having been rapidly overrun, Macao found herself invaded by hundreds of thousands from the British Colony until her population swelled to 600,000. Macao did not fail, indeed she rose magnificently to the occasion, inscribing in her annals a page equal to the most glorious and the most pathetic. Government officials and private individuals vied with one another in devising ways and means of making the newcomers as well looked after as possible. Hundreds of temporary buildings were erected and food supplies were imported by the Government, often at very great inconvenience; a work of benevolence fully shared by the British Consul who looked more particularly after the British subjects.

Thousands of people who are in Hongkong today will ever remember with emotion the hearty welcome they received on arriving in Macao, and the devotedness of the British Consul and the Macao Assistencia. There were worries in those days, no doubt, there was great shortage of food at times, but all these troubles were shared in common, and born storcally while awaiting the eventual victory of the Allies. The end came when the British flag was again floating over the Victoria Peak in Hongkong.

Macao after all seems to have specialised in this work of relieving the poor and destitute almost from the beginning of her history. In 1562, or five years only after the foundation of the City, the Jesuits set up a hostel for all missionaries on their way to China or Japan. In 1569 Bishop Melchior Carneiro, S.J., established the Santa Casa da Misericordia, and the Hospital de San Rafael, the oldest hospital in the Far East. To this day the Santa Casa gives pensions to destitute people and also makes grants to educational and charitable institutions.

The Future

The history of Macao has often been written. We have read several times the excellent work of C.A. Montalto de Jesus, and while praising the thoroughness of the work we deplore that the author should have been so recriminatory throughout. The old alliance between Great Britain and Portugal was never repudiated; there were dark days in which its strong pronouncements seem to have fallen into obscurity, but it has survived and now it is stronger than ever in this part of the world, where British and Portuguese friendship flourishes as a shining example of good fellowship.

Anglo-Portuguese amity is quite alive in the two colonies: it is manifested in the very cordial relations that subsist between Macao and Hongkong. It can be seen in Kowloon where Sir Arthur Morse had with so much noble-mindedness brought about the erection of three magnificent blocks of flats for the Portuguese Staff of the great institution of which he was the worthy and distinguished Chief Manager.

Today Macao is in full vigour. Numerous buildings and other evidence of a thriving civic spirit are to be seen everywhere in Macao, and one is happy to admire an administration which can provide not only new municipal amenities such as a splendid public swimming pool and school buildings of the most modern kind but handsome and commodious residential quarters for employees of all ranks. There is undoubtedly something left of the old glamour that must have pervaded Macao 350 years ago when navigators of all nations stepped ashore there, decked out in gorgeous apparel and walked the streets of Macao. Of old Portuguese traders it was invariably said that they were generous to the Church and that they gave a thought for the poor.

Macao recalls that she was once an important city, a flourishing entrepot. She has made way in this regard for a busier, mightier Hongkong, which has rightly come to be undisputed Queen of the East. But in that case we must not forget that Macao is the Queen Dowager, and she knows it.

HONGKONG GOVERNMENT REPORTS

INDUSTRIAL DEVELOPMENT

During the year ended March 1957, industry continued to expand and although there was considerable preoccupation with improvement in quality, design and production techniques, a number of new articles made their appearance. Among these were reflex and box cameras, hooked carpets and rugs, furnishing fabrics, machine woven fishing netting, electric hair driers, electric refrigerators, wax paper cups, nylon watch straps, polyethylene bags and wrappers and P.V.C. (polyvinylchloride) coated twin parallel wire.

The total number of registered factories increased by 145 to 3,290 at the end of the year, employment in these undertakings rising by over 9,000 to 148,135 compared with March, 1956. The most significant increases in the number of factories occurred in the textile and clothing sections and the plasticware industry. Custom and mail order tailoring assumed the proportions of a sizeable industry and sixteen new garment factories were opened; soft plastic and a wider and more ambitious range in plastic toys and small articles added twenty-two establishments to this section. The cotton weaving and spinning industries retained their leading position by value of exports, and the number of looms increased by some 550 while 10,000 spindles were added.

Heavy industries reported an active year and the shipyards were busily engaged in the construction of a variety of vessels, from 5,790 gross tons down to yachts and smaller craft. The two larger yards alone handled repairs of over 1,550 vessels of various nationalities.

Industrial Land—The first industrial sites at Kun Tong were sold in September, 1956. By March, 1957, 50 lots, mainly of 10,000 and 20,000 square feet each and aggregating some 650,000 square feet, had been sold at prices between $15 and $23.10 per square foot at early auctions, but fell to between the upset price of $5 and $10.40 by the end of the year. Difficulties were encountered in formulating terms and conditions for the sale of land at Kun Tong for "flatted" factories; no sales took place before the end of March 1957. Provision of land for this purpose was dictated by the need to accommodate small factories which flourish in Hongkong. Many of these do not require much space, and it would be an uneconomical use of land to permit them to acquire separate sites. "Flatted" factories will consist of buildings not less than five storeys in height, constructed on plots of land ranging from 20,000 to 35,000 square feet in area. The approved conditions of sale require the purchasers of land for this purpose to provide a number of communal facilities such as lavatories, first aid room, cargo ramps or hoists, and drainage, water and electric light and power. This scheme is in the nature of an experiment, but it is hoped that it may provide a solution to the difficulties confronting the owners of small undertakings in their search for suitable accommodation.

Exhibitions—Hongkong participated in the Washington State 5th International Trade Fair, Seattle, (4th to 13th May, 1956) and the Frankfurt International Autumn Fair, (2nd to 6th September, 1956). At the Seattle Fair, Hongkong was the largest individual exhibitor; over 1,500 items were displayed. Space booked for the Frankfurt Fair amounted to approximately 1,900 sq. ft. In addition to a display of general merchandise several alcoves in the Hongkong section were rented to merchant firms for the transaction of business. Two hundred and sixty-two business inquiries were recorded at the stand and subsequently distributed to local firms and trade associations. There is no reliable means of assessing the amount of new business which the Colony attracted by attendance at these fairs, but there have been a number of indications, particularly after Frankfurt, that it was appreciable.

The 14th Exhibition of Hongkong products was opened by the Governor on the 29th November 1956, and lasted just over one month. Many new and improved items were on show.

The Hongkong and Kowloon Clock and Watch Trade Merchants Association sponsored an international exhibition of watches and clocks in Hongkong from 15th to 28th February 1957.

Local products displayed on the Royal Interocean Line's vessels "Ruys" and "Tegelberg" were changed each time the ships returned to Hongkong. Through these ship displays a large range of the Colony's light industries were introduced to businessmen and tourists in Mauritius, South Africa and the eastern ports of South America.

Certification of Hongkong Products—A new form of application and supporting declaration for a Certificate of Origin, which had previously been cleared with the principal Chambers of Commerce and the Chinese Manufacturers' Union, was introduced in March 1957. This entailed a joint application and declaration by both the manufacturer and exporter which, for the first time, made the exporter equally responsible with the manufacturer for the truth of the statements in the declaration. At the same time, the form of the certificates was altered to enable them to be typed on specially designed machines which register concurrently, by individual factories, the quantity, nature and destination of goods in respect of which certificates are issued.

Customs authorities in Britain continued to be responsible for the scrutiny of cost statements prepared by approved accountants in Hongkong in support of claims to Inperial Pre-

ference for goods exported to the United Kingdom. Customs authorities in other Commonwealth countries grant Imperial Preference rates of duty for Hongkong products against certificates issued by HK Government.

The United States Foreign Assets Control Regulations prescribe the entry into the United States of certain types of goods which are presumed to be of Chinese or North Korean origin. It has therefore been necessary, since 1953, for Government to operate a special system of certification for such "presumptive" goods originating in Hongkong and exported to the United States. The procedures are complicated, and strict supervision and inspection is carried out by the Preventive Service. These certificates are of four types—commercial, tourist, gift and sample, of which the tourist certificates continued to form the greater part. The limit on the value of purchases permitted on a tourist certificate was raised from HK$500 to HK$1,500 in September, 1956. New items cleared during the year for export to the United States and its dependencies are: articles made of Formosan seagrass, embroidered footwear components, semi-precious stones, woollen rugs, processed shark fins, lemon sauce, Chinese medicinal wine, bamboo tablemats, gunny waste, textile novelties, wooden figurines, lotus seeds, camphor tablets, greeting cards and book markers, cotton cloth and cotton string gloves, hand embroidered slippers, frozen spring rolls, canned pond fish, frozen oysters, model junks, wooden lampstands, Chinese musical instruments and Chinese theatrical costumes. In January 1957, US authorities suspended acceptance of the procedure designed to ensure that fresh frozen shrimps exported to the United States were not of Chinese mainland orgin. Agreement in principle to the adoption of a more watertight procedure was reached by the end of March.

Overseas Markets—Since 1955, there has been organized pressure from a sector of the Lancashire cotton textile industry to limit cotton textile imports into the United Kingdom from abroad, especially from India, Pakistan and Hongkong, or to impose a tariff on textiles of Commonwealth origin. During 1956 a vigorous publicity campaign against Hongkong textiles in particular was conducted in UK press. Towards the end of 1956, the Lancashire Cotton Board sponsored the visit of a mission to India and Hongkong under the leadership of Sir Cuthbert Clegg. The mission arrived in the Colony in January 1957, after discussions in India. There was a frank and friendly exchange of views between the mission and representatives of the Hongkong Cotton Spinners Association and of the Chinese Manufacturers' Union. The purpose of the mission was to put before Hongkong's textile manufacturers a suggestion that they should consider the voluntary limitation of cotton textile exports to the United Kingdom. No definite understanding or agreement was reached. Arrangements for the mission's visit were in the hands of UK Trade Commissioner.

The United Kingdom's proposals for a European Free Trade Area, to be associated with the formation of a Common Market or Customs Union by France, Germany, Italy, Netherlands, Belgium and Luxembourg, were closely studied by Government early in 1957. Hongkong was among the Colonies represented at a meeting held in March at the Colonial Office.

Since the end of 1956, the Canadian Tariff Board has been studying the question whether the volume of waterproof and rubber footwear imported into Canada is liable to cause or threaten serious injury to Canadian producers. As its findings may have an important bearing on the local industry Government encouraged Hongkong exporters to make representations at the preliminary inquiry in Ottawa through their Canadian agents.

In May and June 1956, shipments of certain goods of Hongkong origin to South Africa were held by the Customs authorities there pending investigation of a charge of dumping. The matter was taken up directly with the South African Customs authorities and the goods were unconditionally released in September. The dumping duty on certain types of enamelled holloware from Hongkong, imposed since the end of 1955, is still in force, in spite of representations to the effect that dumping by Hongkong within the South African interpretation of the word, is impossible. Dumping duty is being collected in a few cases where invoiced domestic values are regarded as exceeding the f.o.b. export prices by more than 50%. The South African Government's attitude towards the import of Hongkong goods continues to be a matter of concern.

In July 1955, the Federation of Rhodesia and Nyasaland raised tariffs on certain imports to protecting their domestic industries. This resulted in a noticeable decline in Hongkong exports to the Federation, especially in cotton piecegoods, shirts, towels, enamelware and electric torches. In January 1957, the Federation changed the definition of qualifying content for preferential tariff treatment from Commonwealth to single-country content and increased the percentage content required to claim preference for certain piecegoods. These regulations may have further adverse effects on the Colony's trade with the Federation.

Since 1955, the Governments of Trinidad and British Guiana have increased their tariffs on imported shirts of certain types, and the Government of Jamaica has placed restrictions on the import of shirts, knitted fabrics and footwear. These measures, enforced with a view to protecting their domestic industries, have resulted in a sharp decline of Hongkong exports to these territories.

At the G.A.T.T. Session held in Geneva in 1956, reductions in United States tariffs in respect of the following Hongkong products were successfully negotiated by the United Kingdom Government: cane webbing, rattan baskets and bags, furniture of wood, preserved ginger, ivory manufactures, and sauces. In February 1957, the United States National Association of Shirt, Pajama & Sportswear Manufacturers showed concern over the alleged volume of import of shirts from Hongkong, and expressed the fear that Japan was violating her self-imposed export quotas to the United States of America by using Hongkong as a diversionary port. It was pointed out that Japanese shirts and blouses were not being exported to the United States through Hongkong and that, although the Colony had its own flourishing garment industry, it was unlikely to constitute a threat to manufacturers in the United States.

Since the end of 1954 the French authorities have stipulated that goods exported to the franc areas claiming Hongkong origin must not only be manufactured here but must also contain a 50% Commonwealth content, and must be supported by a Government certificate of origin based on this abnormal requirement. The requirement itself is being met by the certification section of the department, but representations have been made to alleviate the conditions imposed. The exiguousness of the annual quotas for the import of Hongkong torches and electric light bulbs into metropolitan France was also taken up officially.

Early in 1956 Western Germany relaxed a number of quantitative restrictions on imports, including rubber footwear. This relaxation did not extend to Hongkong. Appropriate action was immediately taken by the United Kingdom Government, as a result of which a higher quota for Hongkong rubber footwear was agreed upon.

An agreement was reached between the Governments of Indonesia and Hongkong whereby aid funds, made available by the United States, were allocated for the purchase of textiles manufactured in Hongkong from American raw cotton.

THE PREVENTIVE SERVICE

A total of 816 ocean-going vessels were inspected and 39,287 native craft searched within and outside the harbour limits during the year ended March 1957 as compared with 2,190 and 48,638 respectively for the previous year. Macau ferry boats were also searched daily and aircraft periodically.

During the year, several persons died and others were permanently blinded as a result of methyl alcohol poisoning caused by drinking liquor adulterated by spirits intended for industrial use. Investigations revealed that the adulterated liquor came from dealers who, in order to evade liquor duty, purchased quantities of duty free industrial methyl alcohol, a poisonous substance, watered it down and mixed it with Chinese liquor; they then sold the poisonous mixture to retailers who, in turn, sold it to the public for consumption as Chinese wine. A number of successful prosecutions followed, and the Dutiable Commodities Ordinance and Regulations were amended in order to facilitate the control of methyl alcohol which was made

dutiable, with provision for exemption by denaturing to the Government Chemist's satisfaction.

The control of dutiable commodities continued to be the main work of the Preventive Service. Seizures of tobacco, liquor, proprietary medicines and toilet preparations were maintained at a high level.

Seizures of narcotics were high and the newly formed anti-narcotics section fully justified itself. Close co-operation was maintained between the section and the Narcotics Bureau of the Police Force. Narcotics were located chiefly in vessels arriving from Bangkok. In one instance 233 lbs. of raw opium were finally discovered after two days' intense searching in the bilges of a vessel. A total of two hundred and forty-one pounds of raw opium were found on two separate occasions in water tanks supplying crews' toilets. A weather bridge on deck was used to conceal 52.8 lbs. of raw opium, while 39.6 lbs. together with 5 lbs. of morphine were found in a hawser drum. A total of 466.2 lbs. of raw opium was found in two vessels in one month. Seven and three-quarter pounds of morphine were detected in postal packets, and 4½ lbs. in premises thought to be illegally manufacturing proprietary medicines.

The smuggling of strategic commodities declined considerably during the year and, consequently, the number of seizures made was much smaller than previously. This decline was due partly to the effectiveness of the Colony's export controls and partly to the increased application of exceptions procedures for goods of relatively low strategic value.

Forty-three tons of kerosene and 4.8 tons of petrol were seized and confiscated. These quantities were discovered either illegally stored or being conveyed illegally in urban and rural areas. Four trade-mark infringements were detected as against eight in the previous year. The offences concerned the trade description of skin lotion, Chinese medicine and ladies' gloves.

Gold seizures totalled 390.81 lbs. in various forms. One hundred and eleven pounds were found under the decking of a vessel bound for Indonesia and another large seizure of 134.16 lbs. was made in a paint locker of an ocean-going vessel. The fact that only 80.583 lbs. of gold were confiscated to the Crown during the year was due to delays in the completion of cases before the courts.

RESERVED COMMODITIES

Rice—As from 1st January 1957, the list of 29 approved commercial importers of rice was extended by the addition of 9 new importers. No changes were made in rice control scheme itself other than to increase the basic quotas from 60,000 to 65,000 tons per quarter and the stockholding commitment from 35,000 to 38,500 tons. An optional 10 per cent addition to basic quotas was offered to the importers in each quarter of the year and was taken up in full on all occasions, thus enabling the market demand to be satisfied. Total imports of rice during the year ended March 1957 were 294,425 tons, as compared with 258,696 tons in the previous year:

Source.	1955/56. M/Tons.	%	1956/57. M/Tons.	%
Thailand	154,780	59.8	208,340	70.8
China	41,843	16.2	56,838	19.3
Burma	48,423	18.7	22,443	7.6
Cambodia	2,360	0.9	4,209	1.4
N. Vietnam	—	—	2,013	0.7
East Africa	230	0.1	252	0.1
United States	—	—	200	0.1
Australia	20	—	130	—
Pakistan	11,040	4.3	—	—
	258,696	100.0	294,425	100.0

Prices generally tended to be higher than in the previous year, due to higher f.o.b. costs and increased freights, but the consumer was able to offset the higher prices to some extent by buying a larger proportion of broken rice which is cheaper than whole rice. There was less local criticism, in the year under review, of rice control scheme which may be said to have worked successfully throughout the period in providing adequate supplies at reasonable prices.

Frozen Meat—Certain minor modifications in the frozen meat control scheme were introduced with effect from 1st October 1956, in order to simplify administration. It was subsequently decided in December 1956, that there was no need to continue the scheme after 1st July 1957 and a public announcement to that effect was accordingly made. Restrictions on the importation of frozen meat were removed as from 1st January 1957, but sales within the Colony were confined to the existing quota holders until 1st July 1957. Frozen meat remained a "reserved commodity", however, and importers were required to be approved by and registered with Government. Import and Export licences were still required for frozen meat entering or leaving Hongkong. Total imports of frozen meat during the year 1956/57 were 8,429 tons:

Source.	Beef.	Mutton.	Pork.	Offals.	Total L/Tons.
Australia	3,596	413	37	64	4,110
New Zealand	30	5	219	—	254
China	850	192	548	793	2,383
U.S.A.	—	—	25	1,489	1,514
Canada	—	—	—	34	34
Holland	5	—	104	23	132
South America	1	—	—	—	1
Japan	1	—	—	—	1
Total L/Tons	4,483	610	933	2,403	8,429

The consumption of frozen meat is directly related to the availability of fresh meat supplies, but during the past two years the total consumption of meat of all kinds has increased very considerably, as shown by the following figures:

	1954/55. L/Tons.	1955/56. L/Tons.	1956/57. L/Tons.
Fresh Meat	23,145	34,832	30,109
Frozen Meat	3,116	3,166	7,390
Total	26,261	37,998	37,499

Coal—No restrictions were placed on the coal trade during the year. Total imports in 1956/57 amounted to 199,017 tons, as compared with 220,961 tons in the previous year:

Source.	1955/56. L/Tons.	%	1956/57. L/Tons.	%
China	26,835	12.1	143,066	71.9
Japan	139,107	63.0	49,455	24.8
North Vietnam	16,024	7.2	3,090	1.6
Australia	608	.3	1,936	1.0
Taiwan	23,148	10.5	1,470	.7
India	15,239	6.9	—	—
	220,961	100.0	199,017	100.0

Prices of coal increased progressively throughout the year due partly to increased freight rates and partly to labour troubles in Japan. Coal remained a "reserved commodity", Import and Export licences being required for all supplies entering and leaving the Colony.

Firewood—The maintenance and turnover of Government firewood stockpile was satisfactorily carried out during the year in the face of supply difficulties arising mainly from the shortage of shipping space between North Borneo and the Colony. In order to improve the supply it was decided to import a certain quantity of Penang mangrove wood. Total imports of firewood during the year 1956/57 were as follows:

Source.	Total Imports Tons.	Government Imports Tons.	Commercial Imports Tons.
China	137,155	—	137,155
Malaya	25,360	2,898	22,462
North Borneo	13,709	8,081	5,628
Others	10	—	10
	176,234	10,979	165,255

Nine thousand three hundred and sixty-six tons of Government firewood were sold in the year ended March 1957, at an average price of $4.86 per picul as compared with 10,679 tons at $4.54 per picul in the previous year.

FINANCE & COMMERCE

HK EXCHANGE MARKETS

U.S.$

Feb.	T.T. High	T.T. Low	Notes High	Notes Low
10	$586¼	585¾	586⅝	585¾
11	585¼	585	585⅞	585⅜
12	584	583¾	584½	583⅝
13	583½	582½	583½	582½
14	584	583½	584⅝	583⅝
15	583½	583¼	584¼	583¼

D.D. rates: High 584½ Low 581.

Trading totals: T.T. US$3,770,000; Notes cash $540,000, forward $1,630,000; D.D. $480,000. The market was very quiet. In the T.T. sector, gold and general importers bought funds from Japan, Korea and the Philippines. In the Notes market, speculative activity reduced with the approach of the Lunar New Year holidays. The Exchange will be closed from 16th to 20th February inclusive. There was no fixing for change over interest, and speculative positions averaged US$1¼ million per day. In the D.D. sector, business turned sluggish.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK$: Philippines 1.75—1.725, Japan 0.014075—0.01395, Malaya 1.873, Vietnam 0.0662—0.0652, Laos 0.061, Cambodia 0.076, Thailand 0.2717—0.2695, Indonesia 0.117—0.102. Sales: Pesos 330,000, Yen 81 million, Malayan $350,000; Piastre 9 million, Kip 4 million, Rial 5 million, Baht 3 million, Rupiah 150,000. There were good sellers for Rupiah but practically no buyer, because of the unrest in Indonesia.

Chinese Exchange: People's Yuan notes quoted $1.70—1.52 per Yuan. Taiwan Dollar notes quoted $0.153—0.149 per Dollar, and remittances at 0.1405—0.137.

Bank Notes: Highest and lowest rates per foreign currency unit in HK$: England 15.59—15.50, Australia 12.63—12.58, New Zealand 14.10, Egypt 10.00, East Africa 14.80, South Africa 15.65—15.62, West Africa 13.50, Jamaica 13.50, Gibraltar 13.50, Malta 12.50, Cyprus 12.50, Fiji 10.00, India 1.175, Pakistan 0.79, Ceylon 0.94, Burma 0.58, Malaya 1.848—1.83, Canada 5.905—5.8825, Cuba 5.00, Argentina 0.12, Brazil 0.055, Peru 0.27, Mexico 0.40, Philippines 1.86—1.825, Switzerland 1.36, West Germany 1.365, Italy 0.00915, Belgium 0.108, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.45, France 0.0123—0.0121, South Vietnam 0.067—0.0665, Laos 0.0615—0.061, Cambodia 0.076—0.0755, New Guinea 1.00, Indonesia 0.112—0.099, Thailand 0.265—0.26, Macao 1.007—1.00, Japan 0.01435—0.01425.

Gold Market

Feb.	High .945	Low .945	Macao .99
10	$255¾	255¼	265½ High
11	255¾	255⅜	
12	255⅛	254⅞	
13	255¼	254½	Low 264¾
14	255⅝	255¼	
15	255⅝	255¼	

Opening and closing prices were 255½/255⅜; highest and lowest 255¾/254½. The market was very quiet. Change over interest favoured sellers and aggregated HK$1.30 per 10 taels of .945 fine. Tradings averaged 3,400 taels per day and amounted to 20,400 taels for the week, in which 10,170 taels were transacted in cash (2,070 taels listed and 8,100 taels arranged). Positions taken by speculators averaged 7,500 taels per day. Imports from Macao totalled 9,000 taels. One shipment of 58,000 fine ounces arrived Macao in the week. Exports amounted to 7,000 taels (5,000 taels to Singapore, 1,500 taels to Rangoon, and 500 taels to Vietnam). Differences paid for local and Macao .99 fine were HK$12.20—12.00 and 11.50—11.40 respectively per tael of .945 fine. Cross rates were US$37.85—37.84 per fine ounce. 6,400 fine ounces were contracted at 37.85 cif Macao. US double eagle old and new coins quoted at $263 and 230 respectively per coin, English Sovereigns $59 per coin, and Mexican gold coins $275 per coin. **Silver Market:** The market was very dull. 300 taels of bar silver traded at $5.60 per tael and 500 dollar coins at $3.58 per coin. Twenty-cent silver coins quoted at $2.75 per five coins.

HK SHARE MARKET

Last week's market was not as active as during the previous week probably on account of the approaching Chinese New Year. Prices also less firm; a number of popular shares were fractionally lower at the close. Buyers were also less optimistic than they were during the previous week because the final dividends announced by various companies were not as good as they had anticipated.

Trading volume dropped considerably from previous week's $4.8 million to only $2.8 million last week (Monday $710,000, Tuesday $593,000, Wednesday $302,000 Thursday $460,000, Friday $719,000). The undertone at the close on Friday was steady; there was no selling pressure.

Dividends—Humphreys Estate and Finance Company's dividend for 1957 is $1.40 per share. Hongkong Land Investment & Agency Company will pay a final dividend of $1.20 per share for 1957. Hongkong Electric Company announced a final dividend of $1.30 per share for 1957. Hongkong Telephone Company will pay a cash bonus of 25 cents in addition to the 1957 dividend of $1.50 per share. Green Island Cement Company's 1957 dividend is $3 per share. The Bank of East Asia announced a dividend and bonus of $12 per share for the year 1957.

Rubber Output—A. R. Burkill & Sons (HK) Limited announced that the January 1958 crop from Amalgamated Rubber Estates amounted to 790,297 pounds.

Share	Feb. 7	Last Week's Rate Highest	Lowest	Closing	Up & Down	Dividend	Estimated Annual Yield (%)
HK Bank	835	835	832.50 b	832.50 b	steady	$50	6.01
Union Ins	71 s	70	69 b	70	steady	$3.40	4.86
Lombard	33	33.50	33 b	33 b	firm	$2	6.06
Wheelock	6.25 s	6.30	6.20	6.20	steady	75c	12.10
HK Wharf	120 n	120	118	118 b	—$2	$6	5.09
HK Dock	50.50	51.50	50.50	51.50	+$1	$2	3.88
Provident	12.20	12.30	12.10	12.30	+10c	$1	8.13
HK Land	34	34	34	34	firm	$2.40	7.06
Realty	1.35 b	1.40 s	1.35	1.35 b	steady	15c	11.11
Hotel	16.60	16.70	16.60	16.70	+10c	$1	5.99
Trams	24.40	24.60	24.30	24.30	—10c	$1.90	7.82
Star Ferry	126 s	126 s	124	126 s	steady	$9	7.14
Yaumati	97.50	98.50	97.50	98 s	+50c	$7.50	7.65
Light	17.30	17.30	17	17	—30c	$1.10	6.47
Electric	28.60	28.70	28.10	28.10	—50c	$1.90	6.76
Telephone	27.30	27.40	27.20	27.30	+10c	$1.50	5.49
Cement	26.50 s	26.20	26	26 s	—20c	$3	11.54
Dairy Farm	16.50	16.60	16.50	16.50	steady	$1.63	9.88
Watson	12.10	12.20	12.10	12.10 n	steady	$1	8.26
Yangtsze	5.50	5.60 s	5.50 b	5.60 s	steady	65c	11.61
Allied Inv	3.675 n	—	—	3.675 n	steady	25c	6.80
HK & FE Inv	10 n	—	—	10 n	steady	80c	8.00
Amal Rubber	1.275	1.30	1.275	1.275	steady	20	15.68
Textile	4.575	4.60 s	4.50 b	4.55	—2½c	50c	10.[illegible]9
Nanyang	8.50 b	8.55 b	8.50 b	8.55 b	+5c	$1	11.70

SINGAPORE SHARES

Industrials generally eased throughout the week ended February 7 although there was some selective support for the market leaders at the lower levels at the close. Fraser & Neave eased from $2.60 to $2.55 and McAlisters closed at $1.42½ after exchanges at $1.50 earlier. The previous week's slide in Wearnes continued and these closed at $2.95 after $3.00. Gammons, however, were steady throughout at $2.17½ and Hammers improved from $2.00 to $2.01 with further buyers at this level. Robinson Ords shed 2½c. to $1.67½, but regained this amount later.

Tins were dull and a shade easier during the early part of the week, but staged a recovery later which wiped out previous losses and in many cases small gains were recorded. Business in this section remained small; this can be attributed more to the paucity of sellers at current levels rather than the reluctance of buyers. Austral Amal. were steady between 10/6d. and 10/9d. as were lower Perak between 11/6 and 11/9. Meru Tin improved slightly to close with buyers at 1/2d. Berjuntai gained 3d. with buyers at 11/9d. Petalings eased throughout to close at $1.90 after $2.10 earlier.

Rubbers were featureless during most of the period although there was evidence of some support at the close. Kempas were steady at $1.50 and Kundong put on two cents to $3.05. Transactions in Sterling Rubbers included Bagan Seria at 2/6d., Ledang Bahru at 3/-, Lower Perak at 1/9d. and Tremelbye at 13/9 and 13/10½. The Directors of Langkon North Borneo Rubber Ltd. advised shareholders that a bid had been received of 3/10½d. for the Preference shares and 3/8½d. for the Ordinary shares, subject to acceptance of at least 75% of each class (on such lesser percentage as the purchasers may elect). The break-up value in the event of liquidation is estimated by the Directors to be approximately 3/2d. per share, and they recommend acceptance of the bid. The last date for acceptance in London is 14th February, 1958.

There was more activity in Loans with exchanges within present quotations.

A fair amount of interest was shown in overseas investments although less attention was paid to Australian issues.

TRADE REPORTS

Hongkong's entrepot trade last fortnight was active in the first week but slowed down towards the end of the second week on account of the approaching Chinese New Year. Exports of vegetables, fruits, provisions and sundry goods to SE Asia were particularly large. Imports of foodstuffs from China, sugar from Taiwan, rice from Thailand and cement from Japan were heavy but imports of provisions and winter goods from UK, US and Europe reduced.

HK/China Trade—Imports continued heavy. In addition to large consignments of poultry, eggs, frozen meat, fruits, vegetables, wines, preserved food, sundry provisions and other seasonal goods, China sent here small lots of paper, beans, sesame, rosin, tea, sawn timber, china, leather goods, lace work, woollen piecegoods, cement, aggregate, bricks, salt and coal. Prices were higher than those offered last year. From the local market, China bought some metals and pharmaceuticals but quantities involved were small because most dealers here considered buying offers too low.

HK/Japan Trade—Cement made up a large percentage of the 15,000 tons of imports from Japan. Booking of supplies from Japan by local dealers was limited to small quantities of paper, toys and sundries. In Japan, 16 major textile exporters agreed to limit shipments of cotton piecegoods to HK to 100 million square yards this year; the agreement was submitted last week to Ministry of Trade for approval. Exports to Japan totalled only about 2,000 tons consisting chiefly of produce; orders from Japan for scrap metal were limited to a few hundred tons.

HK/UK Trade—Principal imports from UK included metals, automobiles, cigarettes, dairy products and industrial chemicals. Imports of woollen yarn and piecegoods, wines and provisions reduced. Exports totalling 8,000 tons consisted mostly of Hongkong manufactured cotton textiles, rubber shoes, plastics toys, sawn timber, torch and preserved ginger. Local factories rushed shipments of outstanding orders in order to draw on L/Cs before the Chinese New Year.

HK/Europe Trade—Imports of paper, metals, cotton and woollen textiles, dairy products, chemicals and automobiles from Finland, Sweden, Belgium, West Germany, Netherlands and Italy totalled 5,000 tons. Exports were less active, only 1,000 tons. Demand from Germany for HK cloth, shirts and other wearing apparel improved after authorities there relaxed import control on these items.

HK/US Trade—The United States Government removed the restriction on imports of firecrackers from Hongkong and Macao. Shipments of firecrackers however constituted only a small percentage of about 2,000 tons of exports to US last fortnight. Imports amounting to 2,000 tons consisted chiefly of fruits, cotton, blackplate, wheat flour, cosmetics, industrial chemicals and canned food.

HK/Thailand Trade—Consignments of cotton yarn, metals, plastics products, paper, china, paints, metalware, provisions and preserved meat preparations amounted to 4,000 tons. Demand from Bangkok for HK manufactures and reexports remained strong but enquiries were not as keen as during the previous month. On the other hand imports of rice, timber, hide, salt, beans and other staples from Thailand remained heavy, 10,000 tons last fortnight.

HK/Indonesia Trade—Imports from Java and other territories were very quiet probably due to the unrest in Indonesia. Exports also greatly reduced. Djakarta merchants found imports too expensive on account of the high premium they had to pay for foreign exchange certificates. Authorities there announced that deposit for imports would be raised from 20% to 100% of the declared value of shipments.

HK/Malaya Trade—Shipments of provisions, vegetables, joss sticks & paper, fruits, cotton textiles and other HK manufactures to Singapore and other Malayan ports amounted to 4,000 tons. Reexports of these items from there to Indonesian territories remained active in spite of Djakarta's ban on such imports. Orders from Singapore and Kuala Lumpur also covered dried chilli, pharmaceuticals, sugar and beans but quantities purchased were only moderate.

HK/Philippines Trade—Demand from Manila covered only small lots of structural steels, chemicals, pharmaceuticals and other essential supplies. The rice/copra deal with Philippines was reapproved by Manila but shipments will depend on the result of investigation by Philippine officials in Bangkok regarding the origin of the supply.

HK/Korea Trade—Seoul continued to buy limited quantities of paper, steels, chemicals and pharmaceuticals from the local market; buying offers remained low. Imports of cotton yarn, ginseng, medicinal herbs and other staples were insignificant.

HK/Taiwan Trade—Taipei sent here some cotton yarn and foodstuffs in addition to regular shipments of sugar, tea, ginger, plywood, canned food, starch, feather and camphor products. Taiwan exporters also offered to supply Hongkong with caustic soda, calcium hypochlorate, calcium chloride and chlorate of potash; no indent was booked because quotations were a little high. The Taiwan Handicraft Products Exhibition held here during the first week was a success. Embroidery and drawn works, wood crafts, palace lanterns, hats, mounted butterflies, bambooware, buffalo horn carvings, ceramics, mother of pearl items, lacquerware and other Taiwan products attracted thousands of visitors.

HK/Cambodia Trade—Exports of wheat flour, sugar, provisions, paper, metals and other essential supplies to Cambodia totalled 1,500 tons. In return, Phnompenh shipped here about 3,000 tons of rice, sundry provisions, beans and other produce. Increased supply of rice from Cambodia helped greatly to keen prices for grain at a low level in the local market.

HK/Vietnam Trade—Saigon also sent about 1,000 tons of rice to the local market. From here, Saigon bought 300 tons of paper, fruits, vegetables and other essentials in addition to 300,000 gunny bags. There was however no order for cotton textiles.

HK/Burma Trade—About 1,500 tons of beans, timber, cotton and other staples arrived from Burma during the fortnight. Exports totalled only 300 tons consisting chiefly of nails, paper, cotton textiles, canned food, chemicals and camphor products. Rangoon merchants could not obtain enough foreign exchange for all their imports.

HK/Australia Trade—Dealers here shipped about 2,000 tons of cotton textiles, rattanware, metal manufactures, plastics products, gloves and firecrackers to Australia. Demand from Australia for woodoil, rosin and other produce was not very keen; only small lots were purchased. Imports of frozen meat, wheat flour, zinc ingot, wooltops, hides, fruits and dairy products remained steady.

HK/Africa Trade—Exports to East, South and West Africa amounted to 1,000 tons, 800 tons and 2,000 tons respectively. Principal items were enamelware, cotton textiles, matches, shirts, torch, rayon products and plastics toys. Imports were quiet during the fortnight.

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China Produce—Demand from Japan, Europe and Australia remained selective; transactions were also handicapped by inadequate stock and low buying offers. Supply of oilseeds, feather and other popular staples from China remained difficult; dealers here imported oilseeds, beans, etc. from Cambodia, Burma and Thailand to meet the demand from local consumers as well as from overseas buyers. Popular items during the fortnight included maize, sesame, gallnut, cassia, aniseed star, spearmint oil, woodoil, coir fibre, rosin, chilli, green pea, green bean, black bean, soya bean, feather, seagrass mats, menthol crystal, camphor products, turpentine, realgar, gypsum and termeric.

Metals—China, Thailand, Taiwan and South Vietnam provided steady but limited demand for structural steels and factory supplies. Local dealers however still refrained from booking heavy replenishments from Japan and Europe because buying offers from China and SE Asia were still very low and in some cases lower than local market prices which were below new indents. China's offers will remain low because it is Peking's policy to buy from here only when prices are very attractive. SE Asia is now getting large consignments direct from Japan thus restricting purchases from here to bargain hunting. Mild steel round bars and other structural steels, galvanized pipe, black pipe, steel sash bars, wire shorts, mild steel plate, blackplate and tinplate waste waste, galvanized iron sheet and zinc ingot also retained steady and strong local demand. Demand from Japan for scrap iron revived but orders covered only a few hundred tons; buying offers also low.

Paper—More enquiries reached here from Vietnam, Taiwan, Indonesia and Cambodia for printing, writing and packing paper but many transactions fell through because dealers here refused to mark their prices further down. Korea continued to buy newsprint in reels, sulphite, kraft, tissue, cellophane, aluminum foil and duplex board from here; quantities involved however were restricted by the limited stock of European and American products. Dealers here booked small replenishments of tissue from Norway, bond and woodfree from Austria, aluminum foil from West Germany and ribbed kraft from Japan during the fortnight.

Industrial Chemicals—There were more enquiries than orders from Korea, Taiwan, Philippines, Indonesia, Thailand and Burma for a few popular items including sodium hydrosulphite, sodium nitrate, acetic acid, stearic acid, linseed oil, ammonium chloride, caustic soda, petrolatum, lithopone, shellac, formalin, chlorate of potash, paraffin wax, gum arabic and gum copal. Demand was not keen and prospects dull.

Pharmaceuticals—The market was sluggish. Only a few items attracted orders from Singapore, Korea, Thailand, Philippines, and China. These were PAS powder, sulfathiazole, sulfamerazine, aspirin, phenacetin, quinine, saccharine crystal, amidopyrin, salicylic acid, acetamilide and vitamin B12. Turnover was small because stock here dwindled.

Cotton Yarn—The spot market was very quiet. HK yarn however was very firm because forwards of the next few months were all sold out. Imported brands were therefore also steady.

Cotton Piecegoods—Demand from UK, Europe, Africa, Australia and US for HK cloth remained strong. Chinese and Japanese grey cloth declined because the spot market was quiet. Japanese white cloth and white shirting however were steady on local demand and orders from Thailand.

Rice—Although Bangkok prices were marked up on account of increased shipments from there to Singapore, Korea and other markets, wholesale and retail prices in the local market remained low because supply was more than adequate. In addition to heavy imports from Bangkok, consignments arrived from Phnompenh and Saigon during the fortnight.

Wheat Flour—Local demand kept Hongkong products and Japanese flour steady but Canadian, American and Australian brands remained sluggish.

Sugar—Taiwan granulated continued to arrive in large quantities; prices were kept from further dips by demand from Cambodia for 600 tons. Closing price was firm because Phnompenh enquired for another 1,000 tons. Hongkong products also improved slightly on orders from Singapore and Malaya. Brown sugar, on the other hand, remained weak under heavy supply.

Cement—Imports from Japan were very heavy but prices here steady because local demand remained strong and supply from China limited. HK Green Island products also firmed.

Certificates of Origin—Government announced last week that the present method of paying fees upon the issue of Government Certificates of Origin, Comprehensive Certificates of Origin of all types, Imperial Preference Certificates relating to the origin of goods, will be discontinued as from March 1. On and after that date, payment for these certificates will be made by adhesive or impressed postage stamps of the appropriate value affixed or franked on applications for the certificates (Form C & I 185 and 160A) before presentation to the department. The amounts charged remain unchanged and a receipt will be issued for each stamped application. On presentation of the receipt at the Issue Office on the ground floor of the Fire Brigade Building, the relative certificate will be issued without charge. The change in procedure has been decided upon after consultation with representatives of manufacturing and trading interests in the Colony. It is designed to simplify and expedite the procedure for the issue of certificates.

HONGKONG COMPANY INCORPORATIONS

Following new limited liability companies were incorporated during the fortnight ended January 11, 1958; all capital is nominal and in Hongkong Dollars:—

Kwang Fat & Co.—Cinematograph films dealer; Capital, 600,000; 1106-1107 Man Yee Building, Hongkong; Subscribers: Chao Shiu Ah, 60 Hennessy Road, Hongkong, married woman; Chien Kiang Hau, 60 Hennessy Road, Hongkong, merchant. **Lam Seng Hang**—Importers & exporters; Capital, 1,000,000; 42 Bonham Strand West, Hongkong; Subscribers: Ng Tai Ek, 108 Blue Pool Road, Hongkong, merchant; Teo Joo Yee, 108 Blue Pool Road, Hongkong, merchant. **Central Overseas Corporation**—Importers & exporters; Capital, 1,000,000; 221, Wang Hing Building, Hongkong; Subscribers: Koo Liong Bing, 221 Wang Hing Building, Hongkong, merchant; Teuku Abdul Hamid Azwar, 221 Wang Hing Building, Hongkong, merchant; Y. K. Tam Chak Lam, 221 Wang Hing Building, Hongkong, merchant. **Universal Navigation Co.**—Ship brokers; Capital, 400,000; Subscribers: Whang E. Wun, 2 Leighton Road, Hongkong, merchant; Tsang Shek Kok, 34 Island Road, Hongkong, merchant. **The Mok Kee Restaurant**—Capital, 50,000; Subscribers: Chung Hau Chuen, 19 Arbuthnot Road, Hongkong, merchant; Ip Wai Lam, 9 Village Terrace, Hongkong, married woman. **Cheung Yue Investment Co.**—Capital, 1,000,000; 8A Wing Lok Street, Hongkong; Subscribers: Lau Ho, 3 Lower Castle Road, Hongkong, merchant; Lau Chung, 1 Kotewall Road, Hongkong, merchant. **Wahchong-Tingtai Metal Manufacturing Co.**—Capital, 10,000,-000; Subscribers: C.D. Kuo, Wah Chong Metal Works Limited, 23-33 Wing Hong Street, Kowloon, director; C. K. Choi, Ting Tai Metal Ware Factory, Limited, 666 Castle Peak Road, Kowloon, director. **East Asia Co.**—Importers & exporters; Capital, 140,000; Registered Office: 617-618 Bank of Canton Building, Hongkong; Subscribers: Hiew Jin Siong, 22 Kai Yuen Terrace, Hongkong, merchant, Chow Lai Chuen, 181 King's Road, Hongkong, solicitor's clerk. **Wan Hin and Co.**—Building contractors; Capital, 3,000,000; 224, Hennessy Road, Hongkong; Subscribers: Chung Biu, 61 Fort Street, Hongkong, merchant; Chow Bing, 7C Bowen Road, Hongkong, merchant. **Carlton Hotel**—Capital, 1,000,000; 4½ Milestone, Taipo Road, New Territories, Hongkong; Subscribers: Cheung Koon Shing, 111 Chatham Road, Kowloon, merchant; Lawrence Tse-Suen Cheung, 111 Chatham Road, Kowloon, merchant. **Eastern Express Co.**—Importers & exporters; Capital, 200,000; 11 Hollywood Road, Hongkong; Subscribers: R. H. Shamdasani, 18A Carnarvon Road, Kowloon, merchant; Devi R. Shamdasani, 18A Carnarvon Road Kowloon, house wife. **B. Atmaram & Sons**—Importers & exporters; Capital, 1,000,000; 77 Wyndham Street, Hongkong; Subscribers: Bheroomal Atmaram Lalwani, 45 Coastwold Road, Singapore, merchant; Nenumal Udhavdas Chanani, 20 Yun Ping Road, Hongkong, merchant. **Po Chun Cheong Goldsmith Co.**—Capital, 100,000; 123 Ma Tau Wei Road, Kowloon; Subscribers: Ng Kan, 2 To Li Terrace, Hongkong, merchant; Ho Yau Hang, 23 Jervois Street, Hongkong, merchant. **Perfect Industrial Co.**—Cotton spinners; Capital, 1,000,000; Subscribers: Kwok Chung Ching, 34H Braga Circuit, Kowloon, merchant; Yau Fu Hong, 4 Marble Road, Hongkong, merchant. **Edmond, Graciela & Co.**—Importers & exporters; Capital, 50,000; 56, Flower Market Road, Kowloon; Subscribers: Edmond Ip alias Ip Wing Cheong, 56 Flower Market Road, Kowloon, merchant; Graciela Loo Ip alias Ip Loo Wai Hing, 56 Flower Market Road, Kowloon, married woman. **Overseas Enterprises**—Importers & exporters; Capital, 100,000; Subscribers: A. G. Ahmed, 906 Commercial House, Hongkong, merchant; P. J. Griffiths, 2 Queen's Road Central, Hongkong, solicitor. **Ban Ho Leong Import & Export Co.**—Capital, 200,000; 135 Connaught Road West, Hongkong; Subscribers: David Kiang, 124 Caine Road, Hongkong, merchant; Gan Po Kok, 6 O'Brien Road, Hongkong, merchant. **Ambassador Restaurant**—Capital, 560,000; Mansion House, Kowloon; Subscribers: Cheung Koon Shing, 111 Chatham Road, Kowloon, merchant; Cheung Yan Yuen, 41/43, Fuk Wa Street, Kowloon, merchant. **The Grand Universal Land Investment Co.**—Capital, 500,000; Subscribers: Ho Iu Lam, 1 Koon Chung Street, Kowloon, merchant; Chan Wings, 11A Sky-room Terrace, King's Road, Hongkong, engineer. **Sika Co.**—Importers & exporters; Capital, 100,000; c/o Messrs. Lowe, Bingham and Matthews, 7th floor, Alexandra House, Hongkong; Subscribers: Peter Alan Lee Vine, 4 The Peak, Hongkong, solicitor; Raymond E. Moore, 1 Des Voeux Road Central, Hongkong, solicitor.